

Arafat Says Syria Helps PLO Rebels Seize Loyalist Base

BEIRUT — Yasser Arafat sent urgent messages Tuesday to heads of state in Arab and nonaligned countries, accusing Syrian troops of attacking Palestinian forces loyal to him and calling for international support in his attempt to end a six-week-old PLO mutiny.

The Palestinian news agency Wafa said that Mr. Arafat had also sent a special message to Syria's president, Hafez al-Assad, concerning the "serious change of stand" by Syrian forces.

Earlier, a spokesman for Mr. Arafat said that Syrian tanks and soldiers had enabled dissident guerrillas to seize the main military base in the Bekaa Valley held by Arafat loyalists.

The statement by the spokesman said that rebels from Mr. Arafat's el-Fatah organization had taken over the village of Majd al-Anjar on Monday night. The Fatah rebels were joined by guerrillas in a radical PLO group, the Popular Front for the Liberation of Palestine-General Command, he said.

In a dispatch from the northern Lebanese city of Tripoli, where Mr. Arafat spent Tuesday, Wafa said that the Palestine Liberation Organization leader had sent urgent messages to the heads of state of Algeria, Saudi Arabia, North and South Yemen, Tunisia, Abu Dhabi, Morocco, Kuwait and Iraq as well as the Arab League secretary-general, Chadi Kibbi.

He sent similar messages to the leaders of Yugoslavia, Cuba, Ethiopia and Cyprus, and to Prime Minister Indira Gandhi of India in her capacity as current chairman of the Nonaligned Movement, the agency reported.

"Arafat called for their good efforts to help terminate the current crisis between the Palestinian revolution and Syria," Wafa reported. Mr. Arafat was quoted as saying that Syrian troops in the Bekaa Valley "have participated with the dissident group in attacking Fatah

positions and arrested a number of Fatah officers and cadres."

It said that Mr. Arafat's message to Mr. Assad concerned the behavior of Syrian troops in the Bekaa Valley, which it said constituted "a serious change in the stand of these forces" in regard to the dissident group.

A senior Arafat aide, Salah Khalaf, also known as Abu Iyad, arrived in Moscow on Tuesday on his second visit in a month and was expected to urge Soviet leaders to intervene with Mr. Assad to end the crisis.

In his statement earlier, the Arafat spokesman charged that the Bekaa Valley battle had begun when rebels opened fire from Syrian positions.

To our surprise, they then advanced with a number of Syrian tanks towards our positions in Majd al-Anjar, these tanks firing on our positions," he said. "Our men were careful not to return the tank fire so as not to give the opportunity for a clash with Syrian forces. But the tanks continued to shell us and advance on Majd al-Anjar, together with the armed men, and took control of the area around the village."

One PLO official in Damascus sympathetic to the rebels said, "The fighting was fierce and all kinds of weapons were used, including artillery and mortars." He said the battle for Majd al-Anjar lasted four hours.

Officials from both factions said that the rebels had won control of a 10-mile (16-kilometer) section of the Beirut-Damascus highway and set up a checkpoint. A spokesman for the rebels said their forces "attacked and cleaned up the positions" of Mr. Arafat's men, prompting some to defect while others retreated.

Raido and police reports in Lebanon, meanwhile, said there was new fighting in Tripoli. Police indicated that at least 10 persons had been killed or wounded.



Leaders of Chile's copper miners arriving at a courthouse to hear charges against them.

Pinochet Allows Political Leader To Return to Chile From Exile

By Juan de Onis
International Herald Tribune

SANTIAGO — The military government, in a major concession to the political opposition, authorized Tuesday the return from exile of Andres Zaldívar, president of the Christian Democratic Party, and other non-Marxist political dissidents.

The announcement by the Ministry of Interior allowing the return of Mr. Zaldívar, who has lived in exile in Madrid for nearly two years, came as the government faced a call by a broad labor front for a national strike starting Thursday for the release of arrested labor leaders.

The leaders include Rodolfo Sequel, president of the Copper Miners' Union, and six other members of the union directorate who spearheaded a national day of protest June 14 against the regime of President Augusto Pinochet.

Police on Tuesday arrested Adolfo Quintero, the leader of the Chilean truck owners' confederation, one of the groups that called for an indefinite general strike, confederation sources said, according to Reuters.

The strike called for Thursday has the support of an important association of bus and taxi drivers. A transportation stoppage in this city of four million would make the strike effective and visible.

The strike call came from the National Labor Command, comprising leaders of the 22,000-member Copper Workers' Union, four other labor federations claiming to speak for 200,000 workers and the 70,000-member National Council of Ground Transport.

The National Labor Command said the strike was in response to the repression by the government after the national day of protest here, in which four persons were killed. General Pinochet declared the protest movement subversive and Chile's security police began arresting the organizers last Friday.

Many of those held are members of the Communist Party.

Labor experts said the strike call probably would not bring out enough of the three million jobholders in Chile to have much of an effect on the economy. They said it appeared to be aimed at maintaining the momentum of a two-month-old protest movement for a return to democracy.

Workers from dozens of unions planned to join the open-ended strike, set to start just after midnight Thursday. Among them were longshoremen, civil servants, textile workers and thousands of copper miners, whose own five-day strike began to fizzle Monday after more than 3,300 miners were fired for participating.

The protest would be the first since General Pinochet seized power 10 years ago that Chile's laborers united in a general strike.

"This is an all-out fight to recover our democracy," said Hernan Flores, president of the Public Employees Union. "More than 80 percent of the people do not support the government's any more. The only thing left for us to do is to ask for a change in government."

The authorization for the return of Mr. Zaldívar and other moderate dissidents indicated that the government was hoping to divide the political opposition. The Christian Democrats, who were Chile's largest single party before the military seized power in 1973, are prepared to negotiate on political and labor reforms with the regime. The Communist Party seeks only to overthrow General Pinochet.

General Pinochet has in the past rejected any recognition of political parties, which were outlawed in 1974. He insists on completing his presidential term, which extends until 1989 under a constitution adopted by plebiscite in 1980.

Pope, Back in Krakow, Gets Huge Welcome

Walesa Talks With Pontiff Set Thursday

Compiled by Our Staff From Dispatches

KRAKOW, Poland — Pope John Paul II returned to his former diocese Tuesday in an emotional homecoming that sparked new Solidarity demonstrations.

The Vatican had issued a statement earlier in the day warning against reading political motives into the pope's visit.

But as John Paul's motorcade

Gdansk contingent follows pope to Poznan by rail, Page 2.

passed down the streets of Krakow on Tuesday evening, groups of well-wishers chanted the name of the outlawed Solidarity independent trade union.

In another demonstration, it was disclosed Tuesday that Lech Walesa, head of the outlawed Solidarity union, had been granted a three-day leave to allow him to meet with the pope here Thursday.

Mr. Walesa, who works as an electrician at the Lenin shipyard in Gdansk, where Solidarity was founded in August 1980, at one point had been denied time off to meet with the pope. But the government announced Friday it would allow a meeting.

A spokesman for Mr. Walesa, Jozef Borowicz, said by telephone from Mr. Walesa's apartment: "At work, Walesa was handed a letter signed by the shipyard manager saying he had been granted Tuesday, Wednesday and Thursday off to be able to meet the pope."

As the pope was flown by helicopter into Krakow, where he was ordained a Roman Catholic priest in 1946 and was archbishop for 15 years, he received a tumultuous welcome from hundreds of thousands of Poles who lined the streets to see him.

They chanted "Long live the pope!" and scattered flowers in his path. The crowd also chanted Mr. Walesa's name.

A police contingent of several dozen men lined the street made no move to interfere, and the marchers flowed around the line's sides. By contrast, authorities had moved quickly to intercept a pro-Solidarity march of several hundred after a papal Mass in the southwest city of Wroclaw earlier Tuesday.

In Wroclaw, several hundred young people were reported by The Associated Press to have marched through the city center, where they were intercepted by riot police backed by a water cannon.

A line of police vehicles reportedly spilled riot troops in front of the marchers as a helicopter circled overhead broadcasting orders to "go home peacefully."

Meanwhile, three Western journalists and a translator were detained in Wroclaw for more than two hours by the police, one of the journalists said.

Stephen Aris of The Sunday Times of London said that he was detained along with two other journalists and the translator. They were taken to a police station, where their documents were checked. They then were said to have been released with apologies.

The pope planned to spend Wednesday and much of Thursday in Krakow, where until October 1978 he was Cardinal Karol Jozef Wojtyla.

In his sermon at a Mass in Wroclaw, the pope said: "I would like to preserve this just hunger and thirst of the great multitude of my compatriots from all that would distort and weaken it. This cannot be destroyed or suppressed."



The police lined up in front of the altar in Wroclaw. Security at the Mass Tuesday was the heaviest so far during the six days that Pope John Paul II has been in Poland.

According to the official Interpress press agency, one million people jammed a Wroclaw arena under a baking sun to hear the pontiff on the sixth day of his eight-day Polish homecoming.

The police were out in force and just one Solidarity banner was in evidence — "Wroclaw Solidarity," it read — compared with the dozens that have fluttered under other papal Masses during his visit.

The Vatican press office complained Tuesday that some Western news reports of Pope John Paul II's visit to Poland focused too much on political topics.

"In certain international news organizations one notes the attempt to interpret the visit and the words of the pope on the basis of content of an intended political character," the pope's chief spokesman, Rev. Romeo Pucillo, said in a statement. "Nothing can be more contrary to the intentions of the Holy Father."

Ending Debate, Reagan Approves High-Technology Sales to China

By Hobart Rowen
Washington Post Service

WASHINGTON — President Ronald Reagan has decided to allow China to buy American computers and other so-called "dual purpose" high-technology equipment, ending a two-year controversy within his administration.

"Dual purpose" technology is computer, telecommunications and other equipment that, although designed for civilian use, might be used or converted for military applications.

[The White House and State Department were preparing Tuesday to announce Mr. Reagan's decision officially, United Press International reported from Washington.]

The president's decision was conveyed to Mr. Baldrige less than a month ago in a telephone conversation between the secretary and White House officials. Mr. Baldrige was in Tokyo and was on his way to Peking on an official visit.

Nonetheless, officials close to the argument warned "you can expect that there will still be hectoring at the Department of Defense."

At Mr. Baldrige's urging, China will be placed in export-control category "V," which bars the shipment of specific military items but allows manufacturers to presume that other shipments will be approved. The "V" category applies to friendly nations, including sever-

al in NATO and others who are not allies.

At the moment, China is in a "gray" category. Because of this status, although the Reagan administration policy theoretically has been designed to liberalize technology transfers, the result has been to hold up most high-technology exports to China.

American manufacturers, as well as the Chinese, have been frustrated by what appears to be the indecision of export-control authorities, caught between the desire of the Commerce Department to see business go forward and the Defense Department's reluctance to apply any but the strictest interpretation of the rules.

Mr. Baldrige, sources said, called key White House staff members from Tokyo and said he felt he had to have an "up or down" decision from the president before meeting with Chinese officials. Reportedly, the White House felt that rejecting the Chinese on the export issue, while Peking was showing anxiety over U.S. restrictions on technology, might strain the Washington-Peking relationship beyond repair.

Christopher Phillips, chairman of the National Council for U.S.-China Trade, hailed reports of the presidential decision. "We think this is a very significant policy decision that will have a major impact on the two-way trade," Mr. Phillips said.

He reported that on a recent trip to China, officials had told him that the two areas of deepest con-

cern to them were the failure of the United States to make good on its promises of greater high-technology exports, and suspicion that the United States would sell arms to Taiwan.

High Commerce Department officials said that the new policy would be in place by the end of next month, with specific exports under it on the way by early September, and that it could increase U.S. exports to China by \$1 billion to \$2 billion a year. Much of this would be in computers, semiconductor manufacturing equipment and telecommunications, they said.

Sources said that the issue had been debated at the cabinet level from the start of the Reagan administration. In recent discussions, Mr. Baldrige has been joined by Secretary of State George P. Shultz and the White House science adviser, George A. Keyworth 2d.

Mr. Weinberger's position has been a reiteration of traditional Defense Department reticence to approve the export of any equipment, if there is the slightest possibility it could be converted to military nuclear applications.

According to those familiar with the debate, Mr. Baldrige and others have argued that China has an absolute need to modernize its industry, and that the technology it seeks from the United States is readily available for sale by Japan, European nations and even the Soviet Union.

"If we look on China as a friend, it was time to take a risk," said a key figure in the debate.

U.S. Generals Oppose Role in Latin Combat

By Drew Middleton
New York Times Service

NEW YORK — With unusual unanimity, senior U.S. army generals oppose military intervention in Central America without the clear, unequivocal support of Congress and the public.

The point has been made public by General John W. Vessey Jr., chairman of the Joint Chiefs of Staff, and by General Edward C. Meyer, who is to retire soon as army chief of staff.

Similar views have been expressed in interviews by Lieutenant General Wallace H. Nutter, former commander of U.S. forces in Central America; General Bernard W. Rogers, supreme commander of North Atlantic Treaty Organization forces; and General William C. Westmoreland, now retired, who was U.S. commander in Vietnam.

These generals — and many others who gave their views but did not want to be identified — saw service in Vietnam, and their attitude reflects that experience. Although today's army, unlike the one that fought in Vietnam, is an all-volunteer force, the generals wonder how long its professionalism would stand up under a barrage of criticism from politicians and repudiation by public opinion.

All the generals see danger in any victory for leftist elements in El Salvador or in the expansion of Nicaraguan military power throughout the region. General Vessey said recently, "We already have too many Soviet-supported Communist governments in this hemisphere, and we don't need any more."

He added that neither he nor the civilian leaders in the Defense Department "advocate introducing United States combat forces to try to implement an American military solution to the problems of Central America."

The generals and other staff officers in the Pentagon do not see the Central American situation as a peculiarly military one. Rather they stress that the region's problems are economic, political and social as well as military.

In El Salvador, they view the military problem as reflecting underlying economic and social strains.

In such situations, the generals say, wholehearted support of the local population for U.S. intervention would be questionable. Some suggested that the appearance of even a single American brigade in El Salvador would push the peasants toward the leftist insurgents, who would call the arrival of the troops an example of Yankee imperialism.

The generals say that any military intervention should be considered only after the administration has identified the political goals and stated the military objectives. At the same time, they say, the public must understand the cost in men, money and time.

General Westmoreland said any congressional resolution supporting intervention, such as the Gulf of Tonkin resolution during Vietnam, should be renewed annually after careful scrutiny of the situation by political and military leaders.

The solution that General Meyer and other generals see is continued intensive training of El Salvador's military forces and a revitalization of its general staff.

It said the 55 advisers assigned to El Salvador were not enough. They suggested that the assignment of 100 more to Honduras to train Salvadorans and Hondurans would give some ground for confidence in the future.

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Russia Declares Seriousness on Nuclear Freeze

The Associated Press

MOSCOW — The ambassadors of the United States, Britain, France and China were told Tuesday that the Soviet Union is serious about its call for a global freeze on the testing, development and deployment of nuclear weapons. Tass reported.

The initial details of the meeting at the Foreign Ministry also included a hint that the Soviet Union might be willing to allow on-site inspection but did not say so flatly.

Meanwhile, the foreign minister, Andrei A. Gromyko, said the United States was not prepared for the negotiation between Presidents Ronald Reagan and Yuri V. Andropov and said the Kremlin was waiting for signs from Washington that it was ready for talks.

U.S. States Its Terms To Forgo MX Missile

By Michael Getler
Washington Post Service

WASHINGTON — The Reagan administration would be willing to forgo deployment of 100 MX missiles only if the Soviet Union got rid of its 650 largest existing missiles, according to a letter by the U.S. Arms Control and Disarmament Agency director, Kenneth L. Adelman, that was released Tuesday in Congress.

The Senate Foreign Relations Committee chairman, Charles H. Percy, Republican of Illinois, who made public Mr. Adelman's written response to an earlier question by the committee, said it is "the first time the administration has publicly indicated it would consider a fair trade for the MX."

The trade Mr. Adelman proposed, however, was greeted with skepticism by some Democratic and Republican committee members who viewed it as something that the Kremlin would never consider.

"The letter from Adelman is a perfect reflection of the attitude of this administration," said Senator Joseph R. Biden Jr., Democrat of Delaware. "We will give up something if they give up everything."

Senator Paul E. Tsongas, Democrat of Massachusetts, said Mr. Adelman's statement, in combination with another last week before the committee by Secretary of State George P. Shultz, illustrated why people do not believe Mr. Reagan to be sincere about arms control.

Mr. Tsongas pointed out that Mr. Shultz, in a long statement on U.S. policy toward the Kremlin, had said that all strategic weapons "are on the table" in negotiations. But Mr. Adelman's letter, Mr. Tsongas said, makes clear that "MX is not, has never been and will not be a bargaining chip."

Senator William S. Cohen, Republican of Maine, called Mr.

Adelman's proposal commendable but impractical, saying "the Soviets have historically rejected radical restructuring of their forces and will reject this one."

Mr. Cohen said there were similar problems with the Soviet proposal at the Strategic Arms Reduction Talks in Geneva, which also seeks major cuts in Soviet weapons.

Senator Sam Nunn, Democrat of Georgia, also called the MX trade impractical and related a conversation with an East European diplomat who had told him why the Kremlin did not think much of Mr. Reagan's proposals.

"You have 15 aircraft carriers," the diplomat said, "and we have plans to build an aircraft carrier. We will not build our carrier if you promise to sink the 15 you already have."

Several leading officials, including the president in a letter in January to Representative Jack Kemp, Republican of New York, made clear that the MX was not to be bargained away but was needed to modernize the U.S. land-based missile force.

What is negotiable, the officials have said, is how many MXs the United States will ultimately deploy.

Last week, at a closed committee session, Mr. Adelman was asked whether there were any circumstances in which the United States was prepared to give up the MX.

He answered this way, according to the letter:

"The president has made clear that the scale of the MX deployment will be influenced by Soviet strategic programs and arms reduction agreements. The MX is the U.S. response to a massive buildup of Soviet ICBMs over the last 10 years, and unless the Soviets are prepared to reverse this buildup and forgo their heavy and medium ICBMs, the U.S. will go forward with MX."

Reagan Will Oppose Compromise Reached by Congress on Budget

United Press International

WASHINGTON — President Ronald Reagan, threatening extensive use of his veto power, told Republican congressional leaders Tuesday that he "simply must oppose" the \$89.9-billion 1984 compromise budget agreed on by Senate House negotiators.

Representative Delbert L. Latta, Republican of Ohio, said Mr. Reagan had told lawmakers the budget agreement, concluded Monday night, was "totally unacceptable" and "he'll do everything he possibly can to defeat it."

"I simply must oppose it vigorously," the White House spokesman, Larry M. Speakes, quoted the president as saying. "It doesn't control spending. It raises taxes as recovery gains force and it shortchanges our defense rebuilding."

After the White House meeting, the Senate Republican leader,

Howard H. Baker Jr. of Tennessee, said he would reserve judgment on the plan until after a meeting with Republican committee chairman that was to include a report by Senator Pete V. Domenici of New Mexico on the details and merits of the compromise.

Mr. Baker added that "despite division over the budget resolution, there is strong and growing opposition to any changes in the 10-percent tax cut scheduled for July 1."

Details of Budget
Earlier, Helen Dewar of The Washington Post reported:

"The budget agreed on Monday night, which conference leaders cautiously predicted would pass both houses, calls for higher taxes and more domestic spending, along with less for defense, than Mr. Reagan wants."

It anticipates a deficit of \$170 billion to \$179 billion for fiscal 1984, depending on how much of

an \$8.5-billion fund of recession relief is authorized by Congress. According to Mr. Domenici, the Senate Budget Committee chairman, Mr. Reagan's budget would have provided a deficit of about \$171 billion under economic assumptions used in the congressional budget, although Mr. Reagan proposed billions of dollars worth of domestic spending cuts that both houses have rejected.

The agreement allows room for a pay increase of 4 percent for military and civilian employees of the government, delayed by three months from October to January. It also envisions a six-month delay in cost-of-living increases for federal pensions, similar to the delay in inflation adjustments approved earlier for Social Security.

While the budget is only a tax and spending blueprint for Congress that does not go to the president.

(Continued on Page 2, Col. 6)

Gdansk's Crusaders Follow Pope by Rail

With the City Off Limits for Visit, Excursion Train to Poznan Hired

By John Kifer
New York Times Service

POZNAN, Poland — "He has fulfilled his task completely," said a portly man in a group from Gdansk, basking here in the presence of Pope John Paul II. "He came here and did good."

The Gdansk contingent, made up of 760 parishioners of St. Stanislaw Kostka Church, stood under a red and white banner. The word Gdansk was written on it in the familiar flowing script that was the signature of the Solidarity trade union along with the Polish flag growing out of the "a."

Gdansk was the birthplace of Solidarity in the Lenin shipyard strike in August 1980, and it is the home of one of the union's founders, Lech Walesa.

Poland's authorities, fearful of trouble, kept the city off the papal trip, so the parishioners of St. Stanislaw rented a special excursion train to join the hundreds of thousands of people who welcomed the pontiff Monday on the fifth day of his return to his homeland.

Through their comments, the Gdansk parishioners made it clear that they were pleased at the way the pope's visit had turned into a political event, filled with his increasingly overt support for Solidarity.

"We are all amazed at what he is saying," a middle-aged woman said, speaking of the manner in which the pope has used phrases

that invoke strong feelings of mingled religion and nationalism among Poles.

"He speaks in such a way that only we, the nation, can understand. He is very courageous."

The parishioners said they were particularly pleased by the pope's confrontation Friday with Poland's ruler, General Wojciech Jaruzelski, broadcast live on national television.

"He was very good," another woman said of the pope, referring to the way he told the general to honor the agreements signed with the Gdansk shipyard strikers in August 1980. "It was nice to see."

Other signs poking above the crowd in this northeastern industrial center, most of them also written in the distinctive Solidarity script, identified more groups who had come here from Gdansk and other areas of the coast by car, bus, train and even horse cart.

Viewed from a Polish perspective, the pope's homily Monday at a huge outdoor Mass in Poznan's Park of Culture was one of the strongest of his trip. It came despite a warning from the government Sunday that continued demonstrations during his visit could delay the lifting of martial law.

Repeatedly invoking the spirit of Polish nationalism, Pope John Paul spoke of returning to the site of the Castle of Przemyslaw, the half-legendary throne of Poland's earliest rulers.

He spoke of Mieszko, who was baptized in 966, bringing what was then the Duchy of Poland into Christianity, and of Mieszko's son, Boleslaw the Valiant, the first of the Piast kings.

"Thus," the pontiff said to a burst of enthusiastic applause, "Polish culture possesses characteristics which are above all Western European."

During the Mass, the pontiff performed a beatification ceremony, the first step to sainthood, for Mother Ursula Ledchowska, a Polish nun who ran clandestine schools during the 19th century partition of Poland to thwart an attempt by the Russians to stamp out the Roman Catholic Church and the Polish language.

During the ceremony, a group of people were introduced to the pope who were said to have been miraculously healed through the intercession of Mother Ursula with the Virgin Mary.

The people of St. Stanislaw's parish made clear their belief that Mary could intercede with God to perform miracles.

"The Mother of God is going to help us," said a strapping young man in a T-shirt. "The pope will be able to come to Gdansk on his next visit to a free Poland."



The pope talked Tuesday with three survivors of a World War II concentration camp during a Mass in Wrocław.

Italy Ties U.K. Rebate To EC Financial Plan

Reuters

LUXEMBOURG — Italy said Tuesday that a 1983 European Community budget rebate for Britain should be granted only after details of future financing of the 10-nation bloc were agreed upon.

An Italian spokesman said that Renato Ruggieri, Rome's ambassador to the community, had made the point at a meeting of foreign ministers. The ministers began talks on a financial package to keep the community solvent.

André Chanderagor, France's minister for European affairs, agreed with the Italian representative, diplomats said.

A European summit agreed last weekend on a rebate of 750 million European currency units (\$660 million) for Britain "in the context of" future financing.

Corsica Bomb Attack Attributed to Rebels

Reuters

CALVI, Corsica — A bomb attack on a villa appears to have ended a brief truce declared by separatists while President François Mitterrand was visiting the island last week, police sources said Tuesday.

No one has claimed responsibility for the blast Monday night that destroyed the villa near Calvi, in northern Corsica. Police said they believed it was the work of the National Liberation Front of Corsica.

The vagueness of the phrase meant that delegations had interpreted it as they wished. British officials say the rebate is guaranteed.

The ministers also agreed Tuesday to grant Spain and Portugal, whose eventual entry into the Common Market will depend partly on future financing, 175 million ECUs in loans over the next year.

The loans, 100 million ECUs to Spain and 75 million ECUs to Portugal, are the same amounts as the two countries were granted each year over the past two years.

The ministers also approved a 1983 food aid plan for 73 countries. The plan, which still has to be approved by the European Parliament, would give more than 900,000 tons of grain, 150,000 tons of milk powder and 36,500 tons of butter and oil to poor countries.

In a separate decision, Cyprus was granted 44 million ECUs in loans and grants over five years. Malta's request for aid was put off because Britain did not approve of the conditions.

Stonehenge Is Invaded

The Associated Press

SALISBURY, England — An estimated 1,000 people broke into the inner stone circle of Stonehenge Tuesday to mark the first day of summer, the police said. They caused no damage. In recent years the stones have been surrounded by a fence to protect them.

U.S. Feels Pressure For Lebanon Accord Before the End of July

By John M. Goshko
Washington Post Service

WASHINGTON — Unless Syria eases opposition to a withdrawal agreement by the end of July, the administration probably will be unable to prevent Israel from pulling its forces back to new positions in southern Lebanon, according to sources.

Officials here and in Lebanon have expressed concern that an Israeli reinforcement would stiffen Syria's resistance to withdrawal and leave a power vacuum in central Lebanon.

The U.S. campaign to coax Syria toward greater flexibility is tied to the end of July because of the scheduled visits here of Amin Gemayel, the Lebanese president, on July 22 and Prime Minister Menachem Begin of Israel on July 27, the sources said.

Pressure has been growing in Israel for a redeployment of the approximately 20,000 Israeli troops in Lebanon to lessen the risk of casualties from guerrilla ambushes.

Despite Israeli denials that a pullback has been decided, the sources said that David Kimche, director general of the Israeli Foreign Ministry, began to lay the groundwork for such a move in talks last week.

Mr. Kimche is understood to have said that Israel would give the administration more time to try to convince President Hafiz Assad of Syria to cooperate with the Israeli-Lebanese peace accord worked out by Secretary of State George P. Shultz last month.

Under the agreement, Israel will not pull its troops out of Lebanon unless there is a simultaneous withdrawal by Syrian and Palestine Liberation Organization units.

However, if President Ronald Reagan is unable to show some evidence of Syrian flexibility when he meets Mr. Begin, the sources said they believed Israel would insist it could wait no longer.

Although Mr. Kimche is known to have said that Israel would consult the United States and Lebanon before a military redeployment, officials in both Washington and Beirut say they fear that a unilateral Israeli move would have serious consequences for efforts to end the Lebanese crisis.

The sources said that at a meeting Monday with Mr. Shultz, Wadi Haddad, who is Mr. Gemayel's na-

tional security adviser, expressed concern that an Israeli reinforcement would stiffen Syria's resistance to a withdrawal.

That, in turn, would raise the threat of a permanent partition of Lebanon, with the Israelis occupying a security buffer zone in the south and the Syrians and the PLO controlling the eastern part of the country.

That effectively would scuttle the Lebanese-Israeli withdrawal accord and undermine the efforts of the Gemayel government to assert authority over the country. An Israeli pullback also would leave a void of authority in central Lebanon that could lead to further fighting between Moslem and Christian factions.

But while the administration shares these concerns, U.S. officials say there is little they can do to put pressure on Syria in the coming month.

The officials concede that the United States does not have a clear idea of whether Syria is unalterably opposed to a withdrawal agreement or is stalling in hopes of getting more bargaining leverage for concessions from Lebanon and Israel.

There has been increasing speculation that Mr. Shultz, who leaves this week for Asia, will stop in Damascus on route home in early July to meet with Mr. Assad. Some White House officials are understood to believe that efforts to arrange such a trip should be given top priority, even if the results are only symbolic.

However, State Department officials, while not ruling out the possibility, say Mr. Shultz opposes the idea unless there are clear indications in advance that he could accomplish something concrete. These officials also stress that the Syrians have given no sign that they would be willing to deal with Mr. Shultz.

The other principal U.S. option is to try to induce Saudi Arabia, which gives Syria substantial financial support, to make a strong new effort to intervene with President Assad.

However, in an interview here Monday, Prince Talal, a brother of King Fahd of Saudi Arabia, said his country was already working quietly behind the scenes and was doing "the maximum that is possible" to convince the Syrians to be reasonable.

Overheated Satellite Cooled Off on Shuttle

The Associated Press

CAPE CANAVERAL, Florida — The shuttle commander turned the shuttle Challenger's cargo bay toward the shadows of space Tuesday, cooling down an overheated satellite needed for rendezvous maneuvers on Wednesday.

Midway through the ship's "spectacular flight," crews began landing rehearsals in Florida. A NASA pilot traced the shuttle's approach path across the state and controllers told the astronauts: "We've got some weather at Cape today. We think that's a good omen you'll have good weather on Friday."

Before dawn a T-38 jet flew a simulated shuttle landing pattern to help NASA practice forecasting sudden changes in the weather. If landing is not possible Friday, the shuttle could remain in space for two or more days extra, or it could land at Edwards Air Force Base in California.

Tuesday was an unusually quiet day in orbit, with the astronauts preparing for Wednesday's attempt to steer the shuttle to a rendezvous with the West German scientific satellite known as SPAS.

A satellite computer registered a high temperature early Tuesday, and Mission Control directed the crew to shut down the payload experiments and turn the shuttle belly up.

"We're sure it will work okay tomorrow," a ground communications said.

In the last important test of the mission, the astronauts Sally K. Ride and John M. Fabian are to grasp the 3,300-pound (1,500-kilogram) satellite with the shuttle's robot arm and release it overboard as a free-flying spacecraft on Wednesday.

While it is free, the commander, Robert L. Crippen, and the pilot, Frederick H. Hauck, will practice approaching it in a rehearsal for a satellite retrieval and repair mission planned next year.

The computer apparently overheated while operating in the sunlight of space, where temperatures reach 250 degrees Fahrenheit (121.12 Celsius). In the darkness, readings drop as low as 215 degrees Fahrenheit below zero.

Without the computer, the Wednesday exercise would have to be canceled.

Mr. Fabian and Miss Ride, meanwhile, were running samples through a pharmaceutical experiment that could eventually produce new drugs for treating disease.

Miss Ride explained how protein is electrically separated from certain substances as they are passed from the bottom to the top of a six-foot tube.

"Of course, up here, I'm not sure which is the top," she said.

The ship was flying upside down at the time, and the ground controller said: "In this case, it's from the top to the bottom."

"Isn't science wonderful," said Miss Ride, a 32-year-old astrophys-

icist who gave up her own research to conduct experiments for others as an astronaut.

There were a couple of minor equipment problems. Otherwise, Commander Crippen reported, "Everything is going fine up here."

A Warning On Budget

(Continued from Page 1)

dent for signature, Mr. Reagan can veto legislation that is passed to enforce it.

Returning on Air Force One from Jackson, Mississippi, with Mr. Reagan on Monday night, Mr. Speaker criticized the compromise plan. "At first blush, it doesn't look much better than what they had earlier," he said. "It doesn't show a lot of prospect."

Mr. Speaker said the proposed military-spending increase of 5 percent after inflation is "way too low to defend the country." Asked about the proposed new taxes, he said, "The president wants what he proposed. He won't go for new taxes."

Agreement on the budget by Senate Republicans and Democrats from both houses, with House Republicans conspicuous by their absence, followed a weekend of behind-the-scenes talks among the principal negotiators that whittled the remaining issues to a half dozen or so, including Medicare, food stamps and terms of the reserve fund for recession relief. Its major provisions include:

- Tax increases of \$73 billion over the next three years, including \$12 billion in 1984, \$15 billion in 1985 and \$46 billion in 1986, all of which would be enacted in legislation this year. This is considerably more than the nominal increases sought by Mr. Reagan for the next two years but in line with the \$50 billion in standby tax increases that he wants for 1986.

- A military-spending increase next year of roughly 5 percent after inflation, or half what Mr. Reagan wanted, although the proposed spending-authority level of \$268.6 billion provides more than a simple split-the-difference between Senate and House figures. Mr. Reagan's request for next year would be cut by roughly \$12 billion, leaving an increase of \$23 billion over anticipated military spending for this year.

- About \$15 billion more in domestic spending than Mr. Reagan wants and \$8.5 billion as a contingency fund to be allocated for recession relief programs.

The reserve would include funds for a new industrial development bank, health insurance for the unemployed, public works and public service jobs, protection against home and farm foreclosures and an extension of benefits for the long-term unemployed.

WORLD BRIEFS

Iran Communist Reported Dead

LONDON (AP) — Iran's leading Communist, Nureddin Kiamuri, 75, has been executed in Tehran's Evin Prison, according to unconfirmed reports from the Iranian capital, the Daily Telegraph reported Tuesday.

The Daily Telegraph said the execution of Mr. Kiamuri, who was secretary-general of the outlawed Tudeh Party, was believed to have taken place Monday. The Daily Telegraph said there had been no official confirmation of the report but that it was not unusual in Iran for several days to elapse between an execution and its announcement.

The newspaper said that Mr. Kiamuri had been in prison since his arrest last February and that at the end of April he was shown in a television interview confessing to having aided for the Soviet Union. His friends believe that he had been tortured into his confession. The newspaper also reported that most of the party's Central Committee are in prison.

China Ties A-Cuts to Superpowers

BEIJING (AP) — The Foreign Ministry declared for the first time Tuesday that China would reduce its nuclear weapons if the Soviet Union and United States first reduced their arsenals by 50 percent.

The spokesman, Qi Huaiyuan, said: "If the two nuclear superpowers take the lead in stopping the testing, improvement and production of nuclear weapons and reduce by 50 percent all types of their nuclear weapons and means of delivery, the Chinese government will be willing to undertake, through negotiations, corresponding obligations for nuclear disarmament together with all other nuclear states." He made the statement at his weekly news briefing in response to a question about a recent Soviet proposal to freeze nuclear weapons. It was China's first and most explicit statement about its disarmament policy, but Beijing has always maintained that the Soviet Union and United States must first reduce their nuclear arsenals.

Afghan Rebels Hit Kabul Targets

ISLAMABAD, Pakistan (Reuters) — Moslem rebels have hit targets in Kabul, including the headquarters of Soviet forces in Afghanistan, in the most intense attacks on the capital in two years, diplomats reported Tuesday.

The strikes last week were launched shortly before UN-sponsored talks on Afghanistan began in Geneva and seemed aimed at backing insurgents' demands to be included in the discussions, the diplomats said. Other targets of the rebel raids on June 12, 13 and 14 included the Defense Ministry and an area near the Soviet Embassy, the diplomats said.

The diplomats, who have access to information from missions in Kabul, said mortars, rockets and automatic weapons were used by the rebels firing from positions on hills around the city. The talks involving Pakistan and Afghanistan, aimed at finding a solution to the conflict, cannot succeed, the rebels say, because they are not included.

Russia Rejects Spanish Proposal

MADRID (AP) — The Soviet Union rejected Tuesday a Spanish initiative designed to break the deadlock in the 31-month-old Conference on Security and Cooperation in Europe.

Last Friday Spain, the host country for the conference and the most recent member of NATO, proposed that the meeting accept a draft text presented by eight neutral nations in March as the conference's final document. The Spanish proposal left out any mention of a ban on jamming radio broadcasts, an amendment sought by the 16-country NATO bloc, but it called for the convening of a meeting in Bern, Switzerland, in 1986.

Anatoli Kovalov, head of the Soviet delegation and his country's deputy minister of foreign affairs, said the neutral document — without any changes or additions — was "the acceptable limit" for the Soviet Union and the Warsaw Pact countries.

Chinese Parliament Ends Session

BEIJING (Reuters) — The National People's Congress, the parliament, ended a 16-day session Tuesday with a speech by the nation's newly elected president, Li Xiangnan, calling for further carefully executed economic reforms.

"We should combine boldness in making reforms and blazing new trails with a strict scientific approach, think things over carefully, be resourceful and take steady action," Mr. Li told about 3,000 delegates.

India Seeks Arms From Moscow

NEW DELHI (UPI) — India's defense minister went to Moscow Tuesday in an attempt to work out an agreement for the purchase and local manufacture of the MiG-29, a jet fighter judged superior to the U.S. F-16 that Pakistan is acquiring.

The defense minister, Ramaswamy Venkataratnam, scheduled six days of talks with his Soviet counterpart, Dmitri F. Ustinov, and other senior military leaders, with the MiG-29 topping India's military shopping list.

A spokesman for the Defense Ministry had no comment on the purpose of Mr. Venkataratnam's visit, but a highly placed Defense Ministry source said that Mr. Venkataratnam would negotiate on the supply of military hardware and technology from the Soviet Union.

Soviet Gain in Technology Seen

LONDON (AP) — The Soviet Union is steadily eroding the West's lead in developing military high-technology weapons and communications systems, mainly by pirating Western advances, according to the editor of Jane's Military Communications Yearbook.

"The irony of the situation is that the more advanced and sophisticated Western electronic hardware becomes, the easier it becomes for the Soviet Union to acquire it," the editor, Bob Raggett, wrote in the latest edition of the authoritative annual, published Tuesday.

He said that the Soviet Union was buying sophisticated Western commercial equipment that can be used by its armed forces and is acquiring classified circuitry through clandestine deals with Western entrepreneurs. "Recent evidence has shown a great increase in illegal dealing," he wrote. "The situation appears to be that the Soviet Union can acquire almost any electronic hardware it wants provided it is prepared to pay the right price."

Delegates Gather for Prague Forum

PRAGUE (UPI) — Delegates from 140 countries gathered Tuesday for a conference that Western observers feared would include protests against the planned deployment this year of new U.S. nuclear missiles in Europe.

Despite official assertions that the five-day World Assembly for Peace and Life and Against Nuclear War would be a forum for "true dialogue," Western observers said they expected it to take on an anti-American, pro-Soviet slant. Publicity before the event took that tone.

About 2,500 delegates gathered for the opening of the meeting Tuesday, but Czechoslovak dissidents, including members of the human rights group Charter 77, and representatives of the unofficial East German peace movement were barred from the event. Several Western delegates said they intended to speak out not only against the U.S. missiles, but against all nuclear arms.

Weinberger Sees Pact With Russia

LONDON (AP) — U.S. Defense Secretary Caspar W. Weinberger, who arrived here Tuesday for a two-day visit, forecast that the Soviet Union would conclude arms reduction agreements with the United States if Washington continued with plans to modernize its nuclear forces.

Mr. Weinberger, in a speech prepared for the Phipps Society, said he remained confident that President Ronald Reagan's arms reduction proposals are "both realistic and achievable." However, Mr. Weinberger said that so far the Soviet Union had not shown a willingness to compromise.

The defense secretary added: "We believe that by continuing with the American strategic modernization program and convincing the Soviets of our determination to proceed with the planned NATO deployment of intermediate-range nuclear forces, we will convince the Soviets that it is in their best interests to conclude arms reduction agreements with the United States."

For the Record

MADRID (AP) — A Madrid court sentenced six Basque separatists Tuesday to prison terms ranging from 18 months to eight years for the 21-day kidnapping of Dr. Iñaki Iglesias, the father of a popular singer with the same name.

LUXEMBOURG (AP) — Foreign Minister Leo Tindemans of Belgium, in Luxembourg for a meeting of European Community foreign ministers, said Tuesday that his government had signed an accord allowing the United States to start preparations for the possible deployment of 28 cruise missiles in Belgium.

GENEVA (AP) — U.S. and Soviet negotiators met for two hours and 20 minutes Tuesday in their talks on limiting medium-range nuclear missiles in Europe. In the separate talks on strategic arms reductions, the Soviet and U.S. delegation met for two hours and 45 minutes.

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Bell Brings The World Closer



President Reagan, serenaded by the country music singer, Tammy Wynette, at a fund-raising event in Mississippi.

Reagan Seeks Arms Against Communist 'Axis' in Latin America

By Lou Cannon

WASHINGTON, June 21 — President Ronald Reagan has warned that the Soviet-Cuban-Nicaraguan axis could "take over Central America" if Congress refuses more military assistance for Central American nations friendly to the United States.

"We must not listen to those who would disarm our friends and allow Central America to be turned into a string of anti-American Marxist dictatorships," the president said at a Republican fund-raising dinner here Monday night.

"The result could be a tidal wave of refugees — and this time they'll be 'test people' and not 'boat people' — swarming into our country seeking a safe haven from communist repression to our south," he said in an allusion to the 1980 flow of refugees into the United States from Cuba.

Aboard the president's plane en route to Jackson, the White House spokesman, Larry M. Speakes, declined to comment on the statement Sunday by former Vice President Walter F. Mondale that "it is

inevitable that American troops will be sent into Central America" because Reagan policy there is "failing."

While the president spoke Monday with alarm about the Central American situation, he pointed with pride to administration efforts to increase the military budget, a theme he has often stressed before audiences in the U.S. South.

During the decade before he took office, Mr. Reagan said, "our military strength was permitted to erode disastrously."

"We promised to turn this threatening situation around," he said, adding, "We've set in place a program to rebuild our defensive capabilities. We are doing our best to keep costs down but, no matter how diligent we are, there is no escaping the fact that providing this country with an adequate defense is an expensive undertaking, especially when you're forced to make up for the irresponsibility of so many past years."

Then Mr. Reagan launched into a variation of a theme he often used during the 1980 election campaign, saying, "We will not send our brave men and women in the military out to defend us with second-rate weapons and bargain-basement equipment."

He added a sentence to his prepared text to say that U.S. soldiers are so finely trained and well equipped that "they won't have to use those weapons because no one will dare tread on us."

The president spoke before 3,500 persons at the \$200-a-ticket annual Mississippi GOP fund-raising dinner, where entertainment included country singer Tammy Wynette and the food featured such regional delicacies as fried catfish fillets and boiled crayfish.

He was greeted with thunderous applause equalled by cheers given to the Mississippi-born socialist when he sang "Stand By Your Man" and kissed and hugged Mr. Reagan.

Conspicuously absent were any remarks by Mr. Reagan about the Justice Department's dispatch last week of federal registrars into five Mississippi counties to aid in registering low-income black voters who have complained of persistent discrimination in registration procedures.

The additional registrars were ordered into Mississippi by William Bradford Reynolds, assistant attorney general for civil rights, after he visited the state with the Reverend Jesse Jackson. The action was regarded by administration political strategists as likely to have more impact on moderate and liberal white voters than on blacks, who voted heavily against Mr. Reagan in 1980 and are expected to do so if he runs in 1984.

UN Refugee Aide Says Indochina Crisis Has Ended

United Press International

JAKARTA — The United Nations representative for boat people fleeing Indochina said Tuesday the crisis is over, largely because of the joint efforts of Indonesia and the United Nations High Commissioner for Refugees.

Indonesia has granted temporary asylum to 114,000 boat people and refugees from Indochina since 1979 and more than 100,000 have settled in new countries, said Philippe Labreux, UN refugee representative for Indonesia and Singapore.

Mr. Labreux said the "crisis is now over" as the exodus from Vietnam has halted. "But small numbers of boat people keep coming and will keep coming for the foreseeable future. The cooperation between all countries concerned must be maintained," he said.

Mr. Labreux said only 10,000 refugees were still in a relocation camp in Indonesia, learning the language of their future host countries. "More than 100,000 people are now in the United States, Australia, Canada, France and the Federal Republic of Germany," he said.

Black Leaders in U.S. Accept Idea Of Fielding Presidential Candidate

By Howell Raines

CHICAGO — A group of black civil rights and political leaders have approved the concept of a black candidate's seeking the Democratic presidential nomination.

Before making its decision, the group met with the Reverend Jesse Jackson, who has been traveling throughout the country to test support for a campaign on his part. But it stopped short of endorsing him and agreed not to support any specific candidate for the time being.

Instead, the group agreed to organize a "black coalition for 1984" to work on voter registration and to promote a people's platform intended to project minority concerns in the Democratic campaign, according to Walter E. Fauntroy, delegate to Congress from the District of Columbia.

It was not clear how much support the group's decision would get, since some prominent black leaders who had participated in earlier meetings on a black candidate did not attend Monday.

Mr. Jackson said Monday's decision made it "highly likely" that he or some other prominent black leader would enter the Democratic race. Mr. Fauntroy and Mr. Jackson said that some members of the loosely knit group meeting Monday, which has been calling itself the "black leadership family" also

had agreed to form an exploratory committee to decide which of several potential black candidates ought to run.

Both men were vague about the makeup of this exploratory committee. Mr. Fauntroy suggested that it included Mr. Jackson and Mayor Richard Hatcher of Gary, Indiana.

The forming of the committee appeared to be a compromise intended to set Mr. Jackson and other potential candidates free to try to put together a presidential campaign without tying the prestige of the nation's black leadership structure to the candidacy.

Mr. Jackson does not enjoy full support in that group, and some black leaders, including Mayor Andrew Young of Atlanta, have warned that his candidacy would harm white candidates such as former Vice President Walter F. Mondale, who have strong civil rights records.

"I still have a certain reluctance, frankly, about running," Mr. Jackson said Monday. "I was absolute about the proposition, but I am ambivalent about running."

Mr. Fauntroy, delegated as spokesman for those who attended the meeting, said they want to free themselves of the divisive question of endorsing candidates. He said the group would meet again in September.

The group has decided to formalize its existence under the title

"Black Coalition for 1984," Mr. Fauntroy said.

He said it also approved Monday a draft of a "people's platform" that calls for full employment, a nuclear freeze, a more aggressive human rights policy and elimination of the Reagan administration's scheduled tax cuts.

The document is to be circulated to black political and civil rights groups for approval and be used as a standard to measure candidates on issues.

The coalition also decided Monday to mount a voter registration campaign in 24 states with the aim of increasing the black vote by 25 percent, Mr. Fauntroy said.

M. Carl Holman of the National Urban Coalition, a participant in the meeting, directed the drafting of the people's platform. Other participants included Mayor Kenneth Gibson of Newark; Antonio Harrison of the Democratic National Committee; William Lucey, secretary of the American Federation of State, County and Municipal Employees; Mark Siepp, a vice president of the United Automobile Workers; and Donald Tucker, an official of the National Conference of Black Elected Officials.

A participant described the attendance Monday as poor, but he and Mr. Fauntroy resisted the suggestion that some leaders had stayed away because of rumors that they would be pushed to vote on Mr. Jackson's candidacy.

High Court Backs Penthouse on Libel

Los Angeles Times Service

WASHINGTON — A libel suit in which a former Miss Wyoming, Kimberli Pring, once won a \$26.5 million award against Penthouse magazine came to an end with Miss Pring receiving nothing.

The Supreme Court on Monday left in effect a lower court ruling overturning the judgment. The justices refused to review claims by Miss Pring's lawyers that the effect of the lower court's decision was to "immunize" all works of fiction from libel suits. There were no recorded dissents.

The court's action was the final victory for Penthouse, which had been defending itself against the libel suit for nearly four years. "Miss Pring really hasn't gotten justice, and she won't," her lawyer, G.L. Spence, said Monday, admitting the case is now over.

Bob Guccione, Penthouse's publisher and editor, termed the court's action "a signal victory for the First Amendment. Had Pring prevailed, it would have meant the end of fiction being published in the United States," Mr. Guccione

said that he had no regrets about running the "Miss Wyoming" article and said the libel suit "will in no way change our publishing policy."

In its August 1979 issue, Penthouse published a story labeled as humor about an expert baton twirler who became Miss Wyoming and went on to the Miss America

pageant in Atlantic City. Miss Pring was the Women's Grand National Baton Twirling Champion and represented Wyoming at the Miss America contest in Atlantic City in 1978. In her libel suit, she contended that the Penthouse article damaged her reputation and destroyed everything she had worked for.



Richard B. Stone

Stone May Meet Salvador Rebels, U.S. Sources Say

New York Times Service

WASHINGTON — President Ronald Reagan has authorized his special envoy to Central America, Richard B. Stone, to explore the possibility of meeting with Salvadoran guerrilla leaders if the government of El Salvador endorses the idea, senior administration officials said.

The officials stressed Monday that Mr. Stone would not try to open a negotiating channel between the Reagan administration and the insurgents and would not offer the guerrillas any hope that they could discuss broad political issues, including power sharing, with the Salvadoran government.

Mr. Stone's role, the officials said, would be limited to trying to help the government and the insurgents find a mutually acceptable framework for discussions consistent with the U.S. and Salvadoran condition that any guerrilla participation in the government be established through elections, not negotiations.

In a meeting with Mr. Stone, Secretary of State George P. Shultz and other senior national security aides, Mr. Reagan emphasized that U.S. mediation efforts in Central America should focus on supporting negotiating initiatives already under way rather than trying to impose settlements conceived in Washington, the administration officials said. They added that they did not expect Mr. Stone to meet with guerrilla leaders before next month.

Guerrilla representatives have met in the past with U.S. officials for informal discussions about the Salvadoran civil war, but the United States has not held formal talks with representatives of the insurgents. Mr. Stone returned last week from his first tour of the region, including a visit to Nicaragua. He reported on the results of his trip to Mr. Reagan at Monday's meeting.

Micronesia Votes On Link With U.S.

United Press International

KOLONIA, Micronesia — Micronesians voted Tuesday on whether to endorse a pact with the United States that would provide financial support and defense in exchange for continued U.S. military access.

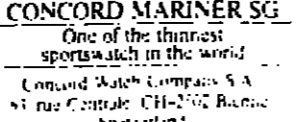
UN and U.S. observers monitoring the plebiscite on a 15-year compact of free association between the western Pacific archipelago and the United States said early voter turnout on the capital island of Ponape was good.

President Tosiwo Nakayama, 52, predicted that Micronesia's 40,000 voters would vote to continue association with the United States. The accord could cost the United States as much as \$1.4 billion in aid and must be approved by Congress. The four-year-old Federated States of Micronesia comprise four tiny island states — Ponape, Yap, Truk and Kosrae — with a land area of 271 square miles (707 square kilometers).

Bombs Explode in Spain

Reuters

SAN SEBASTIAN, Spain — Two bombs exploded in this Basque city early Tuesday, damaging showrooms for cars and electrical goods but causing no injuries, police said. No organization claimed responsibility for the blast.



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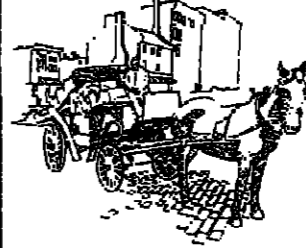
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Japan Accuses Russian Of Industrial Spying

Compiled by Our Staff From Dispatches
TOKYO — Japan announced Tuesday that it had accused a Soviet diplomat of spying on its industrial high technology and that he had already left the country at Tokyo's request.

A Foreign Ministry statement said Arkadiy Vinogradov, 41, a first secretary at the Soviet Embassy who came to Japan in 1980, had tried to obtain information from a large computer company based in Kanagawa, an industrial suburb just south of Tokyo. The ministry did not name the company.

Mr. Vinogradov left on Sunday at the "strong request" of the Japanese government, the ministry said. Japan's move was not as harsh as the recent outright expulsions by France, Britain and the United States of Soviet diplomats, journalists and officials accused of espionage.

Foreign Ministry officials described the move as a virtual expulsion. But both Prime Minister Yasuhiro Nakasone and the ministry said that they hoped it would not harm overall Soviet-Japanese relations.

"It is a highly regrettable state of affairs," Mr. Nakasone said. "I hope such a thing will not recur." He added: "Our idea of maintaining stable and friendly relations with the Soviet Union as in the past remains unchanged."

The Foreign Ministry statement said that Mr. Vinogradov had worked with Boris Kakorin, a 42-year-old Soviet engineer who arrived in Japan in 1978 and left last year. Foreign Ministry officials said Tuesday that Mr. Kakorin would not be permitted to return. A police report in May described both men as KGB officers.

The Foreign Ministry spokesman said that Mr. Vinogradov and Mr. Kakorin had approached a senior executive of the computer company to seek information on its products and later offered to finance him in establishing a consultancy to engage in industrial espionage after he retired from the computer firm.

The Foreign Ministry said that this was the first time Japan had asked a Soviet diplomat to leave for engaging in undesirable activities. However, a Soviet military attaché was reported to have left Japan in haste in 1980 after three officers of the Japan Self-Defense Forces were convicted of leaking military secrets, mostly about China.

There have been periodic news reports and expressions of official concern about the possibility of industrial and military espionage in Japan, which has no anti-espionage law.

The economic daily Nihon Keizai in April quoted what it said was a secret government document



Yasuhiro Nakasone

saying that about 30 Soviet intelligence agents were active in Tokyo, collecting advanced technological information for use by the Soviet munitions industry. Government officials would not comment on the report.

The departure of Mr. Vinogradov followed allegations made by Stanislav Levchenko, a former KGB major who defected to the United States in 1979. Mr. Levchenko maintained that the KGB had penetrated the Japanese government, industry and media. The chief secretary of the Japanese cabinet, Masaharu Gotoda, said that Mr. Vinogradov had been exposed by a police investigation, not by Mr. Levchenko's information.

Nakasone Campaign Emphasizes Foreign Policy

By Sam Jameson
Los Angeles Times Service
YONAGO, Japan — Prime Minister Yasuhiro Nakasone told a group of voters here recently that the Japanese have created an image of themselves as people "who cower easily, become timid in front of strangers, are cunning, act selfishly and are good at making money."

Mr. Nakasone, who is facing his first nationwide test at the polls Sunday, was addressing a crowd of about 5,000 in this commercial center for fishermen and farmers 381 miles (613 kilometers) west of Tokyo on the Sea of Japan.

"As a result of this image," he said, "there has been a tendency for Japan to be excluded from world forums in which important decisions are made. A kind of ostracism has been applied to Japan."

He continued: "For Japan to be regarded this way, despite our 2,000 years of tradition, the richness of our spiritual life, the strength of our arts, is unbearably mortifying."

He said Japanese should "walk with our heads held high" and associate "with other nations as an equal."

"We have come to the point at which we must change into this kind of international Japan," he said.

parliament, Mr. Nakasone made it clear that if he has his way Japan will no longer be a shrinking violet in world political councils or a nation timid abroad as an "economic animal."

This theme, and Mr. Nakasone said privately that it was the cen-

tral point he was trying to make in the campaign, is without precedent in Japan, a nation where political common sense dictates that few votes are won with foreign policy.

None of Mr. Nakasone's predecessors since World War II has gone beyond pledging to keep Japan passively allied with the United States.

But Mr. Nakasone said: "As a country with no resources, which depends upon trade to live, Japan must join the world community of nations. If we just pull into a shell, concentrating on the narrow domestic interests of Japan itself fixed to self-righteousness and selfishness, our destination will be clear: isolation from the rest of the world."

Although it is a theme that Mr. Nakasone has sounded throughout his political career, which goes back to 1947, this time he brings to the campaign a record of action.

At the economic summit meeting in Williamsburg, Virginia, he supported President Ronald Reagan in his negotiations on nuclear weapons with the Soviet Union. That touched off a crescendo of crit-

cism here in the press and from opposition parties.

But Mr. Nakasone is offering no apologies for the stand he took at Williamsburg, which some Europeans described as "more like a NATO leader than many NATO leaders."

Mr. Nakasone said that it is not by making speeches against nuclear weapons, as Japan's Socialist and Communist parties are doing, that nuclear weapons will be reduced or eliminated.

That goal, he said, can be achieved only by getting the world's two leading nuclear powers, the United States and the Soviet Union, to agree to nuclear disarmament. And for that, he said, President Reagan needs the unified backing of his allies.

For its part, he said, Japan cannot tolerate a solution to the nuclear missile problem in Europe that would "make Asia a dumping ground for Soviet missiles" removed from Europe.

But to the press and the opposition parties, Mr. Nakasone's advocacy of deploying U.S. nuclear weapons in Europe stirred fears that the man they have labeled a hawk with militaristic tendencies might someday permit U.S. nuclear weapons to be stationed on Japanese soil.

The Socialists, who are the No. 1 opposition party and advocates of unarmed neutrality for Japan, and the Communists have made the Williamsburg declaration a focal point of their campaigns.

Half of the 252 seats in the upper house are at stake. A victory by Mr. Nakasone's Liberal Democratic Party appears certain, but the margin of victory could have a great impact on Mr. Nakasone's ability to carry out the sort of foreign policy he is advocating.

Some Japanese still associate an active foreign policy with Japan's defeat in World War II. Some believe that Japan's postwar diplomatic silence, having proved successful for many years, should be continued.

A solid victory in this election would solve only part of Mr. Nakasone's problems. He must call an election for the lower house of parliament by next June, and it is in the lower house that the prime minister is elected.

Sikhs Demand Apology by U.S. Envoy

The Associated Press
NEW DELHI — About 250 Sikhs shouting "Down With Barnes" demonstrated in front of the U.S. Embassy Tuesday, demanding a public apology from Ambassador Harry G. Barnes because he likened the Sikh and Puerto Rican independence movements.

The protesters also gave an embassy official a letter addressed to President Ronald Reagan, asking that he restrain his envoy from making statements that were tantamount to U.S. interference in India's internal affairs.

The police seized the demonstrators on grounds that they obstructed traffic but soon released them, a police spokesman said.

Former Prime Minister Charan Singh, a leading member of Prime Minister Indira Gandhi's political opposition, said Monday that Mrs. Gandhi should get Mr. Barnes "withdrawn immediately."

Mr. Barnes, in an interview with Indian reporters a week ago, said, "We don't go around complaining because somebody happens to come to India from time to time and talk about Puerto Rico, and

therefore we're rather puzzled why people here are bothered so much" about the recent visit to the United States of the Sikh secessionist leader, Jagjit Singh Chauhan.

Mrs. Gandhi took issue with Mr. Barnes Sunday, saying "the very base and the only base of the Sikh independence movement is in the West, not in India. Mr. Chauhan makes his headquarters in Britain, while the Akali Dal, the chief Sikh party in India, is campaigning for political autonomy rather than independence of the Punjab, the northern state where the bulk of the Sikhs live."

Japanese Schoolmaster Charged in Boy's Death

By Clyde Haberman
New York Times Service

TOKYO — When Hiroshi Totsuka, a well-known Japanese yachtsman, opened his school for emotionally troubled youngsters in 1976, he promised stern discipline and that is what he delivered.

Life at his small school outside Nagoya in central Japan was Spartan, with regular beatings and skimming food rations.

Authorities agreed that some children in his care did seem to recover from autism and other disorders. The praise continued in some circles, even after there were reports of three deaths and two other probable deaths over the last four years.

The official attitude, however, changed last week when the 42-year-old Mr. Totsuka was arrested in Tokyo and charged with inflicting injuries that led to the death of a 13-year-old boy at the school last December.

Seven of his assistants were also held, and the police said they will question the headmaster about the two other deaths at the school.

The arrests brought denunciations of Mr. Totsuka from educators and psychologists, but the case may be symptomatic of a widespread tolerance in Japan of strong-arm tactics in the classroom. Hiroshi Inamura, a professor of mental hygiene at Tsukuba University, north of Tokyo, called the incident a warning that "few appropriate institutions and experienced people are available for ever-increasing numbers of emotionally troubled children."

Parents who feel they have lost control over their children often say they do not mind when teach-

ers take a hard line. In the special "cram schools" that are attended by many students to help them pass important examinations, sudden thrashings by stick-wielding teachers are not unheard of.

A nationwide newspaper poll two years ago showed that 78.4 percent of those surveyed believed that harsh physical treatment by teachers is either "sometimes" or "very much" necessary.

Nor is the notion of tight discipline restricted to schools.

Some companies send new employees to army bases, where drills include marching and hand-to-hand combat as well as a stiff physical regimen.

Even when Mr. Totsuka came under suspicion months ago, some officials in the Nagoya area thought his methods still had merit.

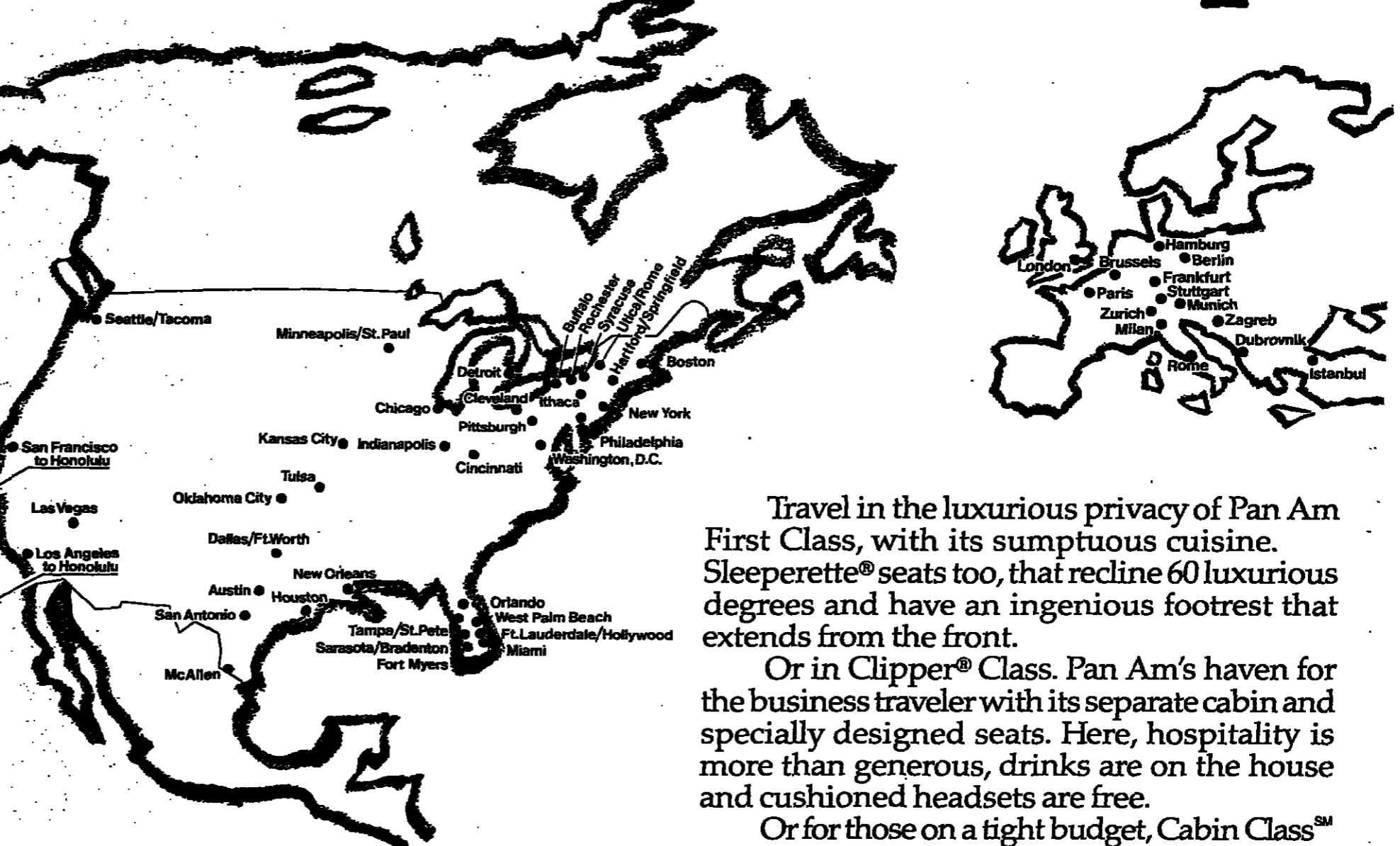
His theory is that some youngsters' emotional instability can be attributed to overindulgence by parents. He set out, with training in sailing, to put these youths — most of them teen-age boys — under stiff control.

Their heads were shaved. According to one estimate, the school spent less than a dollar a day on food for each of the 80 students.

Older students patrolled the grounds at night, and special detection equipment was installed on staircases to help thwart escape attempts, which were common — as were beatings.

These practices received little attention until the death last December of Makoto Ogawa. An autopsy determined that he suffered scratches and bruises over his entire body and died of shock.

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'Gay Lifestyle' Is Questioned as Disease Spreads

New York Times Service.

And in Boston, Paul DiAngelo, gripped by a cancer called Kaposi's sarcoma, racked by infections his body's stricken immune system cannot throw off, losing 10 quarts (9.5 liters) of fluid a day to a diarrhea the doctors cannot quell, struggles at the age of 33 to survive, to hope, to remain brave and to divine the meaning of this dread disorder.

Health officials believe that AIDS may be transmitted by an "infectious agent, perhaps through sexual relations or through infected needles or contaminated blood. There does not appear to be sufficient evidence that the disease is transmitted through casual personal contact, and the general population is not regarded as being at high risk. Other major risk groups are homosexuals, who require frequent blood transfusions, intravenous drug users and, mysteriously, Haitians.

By striking at men like Mr. DiAngelo, whose adult life has been a quiet reflection of the progressive reach for self-respect and for public ac-

New York Times Service

The figures are revised regularly, and health authorities say they lag half a month or more behind the actual case load, in part because only a few states require doctors to report AIDS victims. The national case load continues to grow, roughly doubling every six

Mr. DIANGELO, a slim man whose normal weight is 142 pounds (65 kilograms), lost 30 pounds before being hospitalized, so weak he could not walk. Infused with liquids, he gained 20 back, ballooning his thighs, then lost 10 more. A plasma bag fortified with such elements as potassium and magnesium, to try to balance the catastrophic effects on his body chemistry, hangs above his bed, trailing fluid through a tube into his arm.

What the insurance did not cover was paid by Mr. Ruskay, a restaurant and bar owner, and his memories of the reluctance of medical, transportation and funeral-service personnel to handle the case are graphic.

requiring them to identify themselves "on pain of law for giving false information."

"What I see," he said, "is a commitment to spend our tax dollars on research to allow these diseased homosexuals to go back to their perverted practices without any standards of accountability."

Proper Education

Fourteen cases of AIDS have been confirmed in Colorado, and "whenever a case is diagnosed at a Colorado hospital, people get a little

homosexuals themselves. And repeatedly, in city after city, those involved say that the human toll being exacted by AIDS is forging homosexuals into a community as nothing has

Four Sandinist soldiers, one carrying watermelons, stroll through the small northern town of Quilali in Nicaragua.

**By Don Oberdorfer
and Joanne Omang**

From January 1980 until his defection, Mr. Bolanos was an official of state security. Nearly all that time he served as a counterintelligence case officer, with special responsibility for surveillance of the U.S. Embassy and Central Intelligence Agency activities, he said.

Many more such advisers worked with the Nicaraguan military and security forces, he said.

Planning and training for the spectacular by leftist guerrillas at the Ilopango base in El Salvador in January 1982 took

the "Nicaraguan guerrilla" who embarrassed the Reagan administration by recounting his story in March 1982 that he had been sent by Nicaragua to participate in the Salvadoran war, was put up to the charade by Sandinista officials.

American Mother

Mr. Bolanos, 24, is the Managua-born son of an American, Gloria Hunter, and a Nicaraguan, Dr. Rodolfo Bolanos, an eye, ear, nose and throat surgeon. As a youth, Miguel

don't want Nicaragua heading down a totalitarian path and, finally and apparently most deeply felt, a sense of outrage at the luxurious living and special privileges of Sandinist leaders compared to the privations suffered

ies confirmed, that he was taken into custody and charged with air piracy. Just what happened next is murky and reportedly was the subject of high-level discussions between Costa Rican and U.S. authorities. The result was that Mr. Bolanos was released from custody and left Costa Rica under U.S. auspices.

Mr. Bolanos said the Soviet advisers - who had used Cuban-adapted manuals of the KGB, the Soviet secret police - had provided automatic pistols as a comradely gesture to Nicaraguan security officers. He described the Russians as high-ranking - with one of the two Soviet officers assigned to his section, F-2, holding the rank of colonel in the KGB - but as relatively restrained in their intervention compared with the Cubans.

element of the big strategic plan," he said, to eliminate all effective opposition to Sandinist rule by the 1985 national elections that are planned as an endorsement of the regime.

The Reagan administration, which by then had been forewarned by Mr. Bolanos, responded June 7 by closing all six Nicaraguan consulates in the United States and expelling their 21 diplomatic personnel.

الشرق الأوسط

Herald Tribune

Published With The New York Times and The Washington Post

WEDNESDAY, JUNE 22, 1983

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UNITED ARAB EMIRATES

INDUSTRIAL DEVELOPMENT — A SPECIAL REPORT

The Succession: A New Generation Awaits Its Test

A MOMENT OF NATIONAL uncertainty gripped the United Arab Emirates last summer when it was announced that Sheikh Rashid bin Said al-Maktum, the long-serving ruler of Dubai, was critically ill. Faced with the prospect of his loss, people suddenly became aware of the stature of the main leaders who guided the Emirates in the decades leading up to independence and for 15 years afterward.

Sheikh Rashid has recovered, but the false alarm started many people thinking about the unthinkable: the approaching handover of power in several Gulf sheikhdoms from the founder generation of leaders to their sons, who have been groomed for office but, inevitably, have been overshadowed by their fathers.

Diplomats say that the quality of leadership provided by this upcoming generation will shape the economic life and political stability not only of the Emirates but of the entire Gulf. Lacking the stature of their fathers, the newcomers probably will resort to a disguised form of power-sharing.

In this respect, the heirs apparent, who often are Western-educated, are generally better prepared than their elders to cope with their countries' increasingly complex problems and apply modern management techniques to government.

But the importance of the founders' charisma and personal power cannot be overlooked. Such leaders as Sheikh Zayed bin Sultan al-Nahayan in Abu Dhabi and Sheikh Rashid in Dubai, after bitter inter-family struggles, have established strong political authority that has helped preserve national unity through the social turbulence accompanying independence and sudden oil wealth.

Sheikh Rashid, for example, forged the unity of Dubai Emirate before World War II, when his tribe forcibly joined Dubai and Deira, the two banks of "the creek," an inlet on the Gulf used for centuries by pirates. His force of character, shrewd political judgment and rough sense of democracy were ingredients of Sheikh Rashid's success, his contemporaries say. But he also was not averse to the use of violence, even treachery, they add.

"He had all the necessary traits for a leader, including the tough ones," said Abdel-Wahab Galidari, a Dubai businessman whose family fortunes have risen with those of the emirate to become an international success story.

Once Dubai was united, Sheikh Rashid embarked on its development — which to him meant creating business opportunities for himself and other Dubai leaders. "He was everything — except spendthrift," Mr. Galidari said. "And he was always an entrepreneur, who treated fellow businessmen with respect."

The encouragement of outside investment was instrumental in Sheikh Rashid's strategy, even before he acceded formally to the rulership in 1955, and Dubai started exporting oil and then gas. Sheikh Rashid systematically used the emirate's limited revenues to attract business. Instead of prestige projects such as the airlines or factories favored in other sheikhdoms, Sheikh Rashid preferred business-oriented infrastructure such as port facilities or, better still, joint ventures with foreign companies.

Typical of Sheikh Rashid's commitment to business was the gold smuggling for which Dubai was notorious in the 1950s and 1960s. As long as India was a lucrative market, daily flights brought cargoes of gold bars to Dubai, where they were loaded openly into the smuggling dhows at anchor in the Dubai creek. Resembling the traditional fishing and trading boats of the region in their outward appearance, the smuggling dhows were fitted with powerful engines enabling them to outrun Indian coast-guard launches.

Each shipment — legal when it left Dubai, illegal when it reached India — was financed by a syndicate of Dubai merchants, including prominent members of the ruling family. Even today, smuggling continues in Dubai — with Iran as the current target — and the profits are shared throughout the business community, including members of the royal family, diplomats say.

Sheikh Rashid put his own money into Dubai's corporations, including the main industries and privately held utilities. The successful International Trade Centre — a 39-story complex of offices, exhibition halls and hotels — is owned by the ruling family.

Sheikh Rashid has never been interested in politics per se, but only as a means of promoting business as the key to his community's economic health, a longtime resident said.

In guiding Dubai's growth, the U.A.E. ambassador to Britain, Iranian-born, Mr. Tagher got his first business notions as a young customs agent in Bahrain, before being transferred in the late 1940s by the British authorities to Dubai, where he quickly became a confidant — and fellow hard-nosed visionary — of Sheikh Rashid.

Mr. Tagher's methods are not always subtle. U.S. businessmen who lost the Dubai drydock contract in 1976 to a British company where Mr. Tagher subsequently became a board member, contend that some recent Dubai projects are too big; they suggest that the scale was dictated by the size of commissions, not need.

But Dubai's record of generating non-oil-based prosperity has been unmatched in the Gulf, and Sheikh Rashid's advisers say that world economic recovery will eventually justify Dubai's ambitious plans. They say that an upturn would restore profitability to projects such as the aluminum plant and the lavish hotels, and would even create a market

(Continued on Page 12S)



Middle East Economic Digest



Unloading cargo at Jebel Ali, Dubai's artificial harbor-industrial zone project, left; above, the modern highway between Fujairah and Dubai; below, Abu Dhabi fishermen.



Magnum

Closer Union Of 7 Emirates Remains Goal

By Joseph Fitchett

THE UNITED ARAB EMIRATES, the seven sheikhdoms that were confederated 12 years ago, has been abruptly jolted out of the sheltered environment that had prevailed in the Gulf during the oil boom of the 1970s.

Major problems — such as the drop in oil revenues and the political threat from Islamic Iran — confront all the Gulf states. But the Emirates has another, more specific difficulty: a very small supply of trained, dedicated national manpower.

That problem is a major constraint for leaders trying to bring development levels closer to those of neighboring states while improving administration. The goal, a diplomat said, is to create "a real federation instead of the present loose confederation."

Sheikh Zayed bin Sultan al-Nahayan, the president of the Emirates and the ruler of Abu Dhabi (the largest and by far the richest emirate), continues to press for tighter unity among Abu Dhabi, Dubai and the other five small northern emirates — Sharjah, Ajman, Umm al-Qaiwain, Ras al-Khaimah and Fujairah. His progress so far has confounded pessimists who had predicted a short life for the Emirates in 1971. Still, ultimate economic power resides with each emirate's ruler.

But Sheikh Zayed's liberal spending policies and political skills have steadily advanced unity. Largely because of Abu Dhabi's oil, the Emirates is one of the world's richest countries, with an average annual income of \$25,000 per person.

Despite this wealth, there are glaring development needs. The sheikhdoms were markedly less sophisticated than most other Gulf states when Britain left the region 12 years ago, and the problems of economic development have preoccupied the Emirates' leadership for a decade.

A period of headlong expansion that might have solved some of the problems has been halted by the oil surplus — just as an age of innocence on security ended with the Soviet intervention in Afghanistan and, much more importantly, the rise of a potential military threat from Iran.

Thus, for the first time, the leaders of the Emirates find that they have to make policy choices instead of just administering unlimited budgets. This experience might be welcome in many ways, but it has coincided with "a sudden feeling of being outnumbered in their own country," a longtime resident said.

Immigrants, brought in for the construction boom, outnumber citizens by four or five to one in the Emirates, whose total population is a little more than one million. The shortage of manpower may gradually ease with training and education, especially since women are free to work unveiled if they choose.

The shock of realizing that an immigrant majority is inevitable for years to come, along with the increasing demands being made on over-worked policymakers, has created a mood of vulnerability and irascibility, in sharp contrast to the carefree climate that used to prevail.

Acknowledging that the country faces its most serious problems since independence, officials — who are disinclined to talk frankly for quotation — privately predict a sharp decline in the pace of government spending and economic development.

The pause, they say, may be beneficial if it allows time for the Emirates' citizens to take firmer charge of their country's business and government affairs. The cooling-off period may delay some industrial projects that would have received semi-permanent immigrant communities. And it may allow Abu Dhabi to press for unity by supporting projects in other emirates.

Sharjah, for example, which has been in deficit since 1981, is being financed mainly by Abu Dhabi in setting up a network to sell its natural gas to the small northern emirates.

Diplomats add that tighter government spending also means that Western business in this increasingly competitive market — now dominated by Japan and the United States, followed by West European countries — must become more price-conscious and better attuned to real local needs.

For the country's leadership, the pause may provide an opportunity to introduce more rational policies, but it is fraught with problems. Non-oil industrial projects, such as petrochemicals at Abu Dhabi's giant Ruwais

(Continued on Page 11S)

Oil Revenue Continuing to Decline

By Sarah Seagriff

ALTHOUGH oil remains plentiful enough, at least in Abu Dhabi, not to greatly encourage diversification outside hydrocarbons, lower oil prices and the world surplus of crude are beginning to affect the Emirates' oil development plans.

Official figures for 1982 revenues have not been released, but estimates vary between \$11 billion and \$14 billion, with revenues for this year likely to be less than \$10 billion. The Emirates' central bank, in a preliminary report, said in May that reduced oil revenues had led to a budget deficit of 2.3 billion dirhams.

The Organization of Petroleum Exporting Countries, in talks last March in London, gave the Emirates a ceiling of 1.1 million barrels a day despite pressure from the oil minister, Mansur Said al-Otaibi, a former OPEC chairman, for 1.6 million barrels a day.

Abu Dhabi is currently producing between 700,000 and 750,000 barrels a day, Dubai about 325,000 barrels a day and Sharjah about 25,000 to 27,000 barrels a day. The other four emirates do not produce commercially.

One reason for Mr. Otaibi's concern about the OPEC ceiling is that the Upper Zakum field, which is coming on stream, has an eventual capacity of 500,000 barrels a day. The Emirates' constitution safeguards each emirate's control of its natural resources. Thus oil production is in the hands of each emirate, and the federation has not really led to cooperation.

There is a federal Ministry of Petroleum and Mineral Resources. But the minister, Mr. Otaibi, is an Abu Dhabi man, and his federal writs have little impact outside Abu Dhabi. Dubai's oil affairs are run by the Dubai Petroleum Co., which sells much of Dubai's oil on the spot market. Sharjah's is run by the Sharjah government.

Abu Dhabi has its own Department of Petroleum, of which Mr. Otaibi is also the head. But, as a federal minister, he is barred from being a member of the emirate's executive council.

Thus, oil interests are all but unrepresented at executive council meetings, and officials display a tendency not to show interest in them at that level. The Abu Dhabi National Oil Co., known as ADNOC, has been able to develop its own policies under its general manager, Mahmoud Hassan Kronba.

Each emirate makes its own arrangements for exploration and development, and the smaller, poorer emirates do so to signify their independence. Ras al-Khaimah, for instance, plans to produce 20,000 barrels a day from its newly discovered oil field.

This autonomy also applies to production cutbacks, and thus causes a certain resentment in Abu Dhabi, where ADNOC has had to bear the brunt of the OPEC restrictions. Dubai and Sharjah argue that their oil income is smaller than Abu Dhabi's, and they therefore continue to produce oil at the old level.

Most of Abu Dhabi's oil is produced by the two major operating companies, Abu Dhabi Marine Operating Co. (ADMA-OPCO) and Abu Dhabi Company for Onshore Oil Operations (ADCO).

ADNOC has a 60-percent share of the equity of each company. Other shareholders in ADMA (established in 1977) are British Pe-

troleum, Compagnie Francaise des Pétroles and the Japan Oil Development Co. (JODCO). Other shareholders in ADCO are British Petroleum, Shell, the Compagnie Francaise des Pétroles, Exxon, Mobil and Parter.

The bulk of the cuts have been made offshore, from ADMA's production, which has declined from a peak of more than 500,000 barrels a day in 1980 to an allowable ceiling of about 200,000 barrels a day

(Continued on Page 11S)

Gas Production: Harder Look at New Projects

THE PROSPECT of further cuts in oil production and revenue has prompted oil companies to give a long, hard look at the Emirates' downstream industry, both domestic and export-oriented. As a result, the relationship between producer and buyer seems to be shifting, with the buyer less keen than in the past to be involved in expensive development projects in order to have access to the hydrocarbons.

The scrutiny comes as much from the major oil companies as from the different producing companies in the country, especially the Abu Dhabi National Oil Co., known as ADNOC.

In the past, the majors have been anxious to join in oil development projects in order to have guaranteed access to the crude, but now they talk of "decoupling," and national oil companies are having greater difficulty persuading them to look at their projects.

Much of the Emirates' downstream activity is governed by gas. The U.A.E. is the only exporter of liquefied natural gas in the Gulf, and is second only to Saudi Arabia as an exporter of liquefied petroleum gas. Gas has been a growing asset, exports for the first half of 1982 rose 38.4 percent from the same period in 1981, to a total of \$490 million.

But gas production is still governed by oil production; most Gulf producers, including the Emirates, are dependent on associated gas for their utilities and gas exports.

In Abu Dhabi, high-quality gas is produced from the offshore fields in association with oil, at an average rate of 456 million cubic feet a day. It is sent through GASCO's extraction plants to recover gas liquids and

on to Ruwais, which produces LPG for export to Japan.

Methane is extracted at the fields and used to generate power for Abu Dhabi. Non-associated gas has been discovered at Thamania C, which is due to go into production next year at an average rate of 450 million cubic feet a day. It will be piped to Ruwais, to be used to supplement fuel and feedstock in the industrial zone, which is currently vulnerable to fluctuations in oil production.

More associated gas is produced offshore from ADMA's fields, all of which is sent to the Abu Dhabi Gas Liquefaction (ADGAS) plant on Das Island, the only LNG plant in the Gulf.

The plant is technically complex. Technicians who had to take steps against corrosion and low temperatures — the ground around the plant has to be artificially heated — learned recently that Das Island is in an earthquake zone. Storage tanks being built for ADGAS by M.W. Kellogg Co., a U.S. firm, have each been built on 325 piles, each 60 meters long.

ADGAS sells its LNG to Tokyo Electric Power Co. In the past, it has been priced at parity with crude oil, but the soft market has brought Japanese complaints of overpricing. Amid increasing danger that Indonesia or Alaska might undercut Abu Dhabi, ADGAS has been obliged to accept a price reduction from \$6.17 to \$5 per million British Thermal Units.

In Dubai, DUGAS is planning a \$100-million expansion program in its offshore fields, where production has been declining.

At the moment it produces 1,200 to 1,300 metric tons of LPG daily. It hopes to raise this figure by 10 percent.

Also in Dubai, ARCO, a consortium of Atlantic Richfield and British, struck a reserve of gas condensate last May in its Margham field. The discovery, estimated at 4.2 trillion cubic feet, probably has the same structure as Amoco's Sajaa field in Sharjah, experts say.

Fluor Corp. of the United States has won a contract to provide a gathering network and separator treatment plant. Initially, the Dubai government, which owns the gas, plans to reinject it, but the DUGAS plant at Jebel Ali might use some of it.

Development of the major discovery at Sharjah's Sajaa field is further along than at Margham, despite some initial haggling between the Sharjah government and Amoco, which owns the gas. In 1981 Amoco found a reservoir of 10 trillion cubic feet of gas, along with some condensate. It now sells its output from the reservoir — 25,000 barrels a day — to the government at \$3.50 per million BTUs.

Meanwhile, the Emirates General Petroleum Corp., which distributes petroleum products in the northern emirates, is supervising a \$190.6-million project to use the gas to fuel power stations in the northern emirates.

A subsidiary of West Germany's Ruhrgas, Pipeline Engineering, has recently been appointed design consultant for the distribution network, under an \$11-million contract that also includes six new power stations. Until the project goes into effect the gas is being flared. Four-fifths of the BTU energy

in Sajaa is dry natural gas, and the remainder is associated gas. Six international consortia recently submitted bids to the Sharjah government for a \$250 to \$300-million LPG project that would include piping the associated gas from Sajaa to the east coast, thus avoiding the Strait of Hormuz.

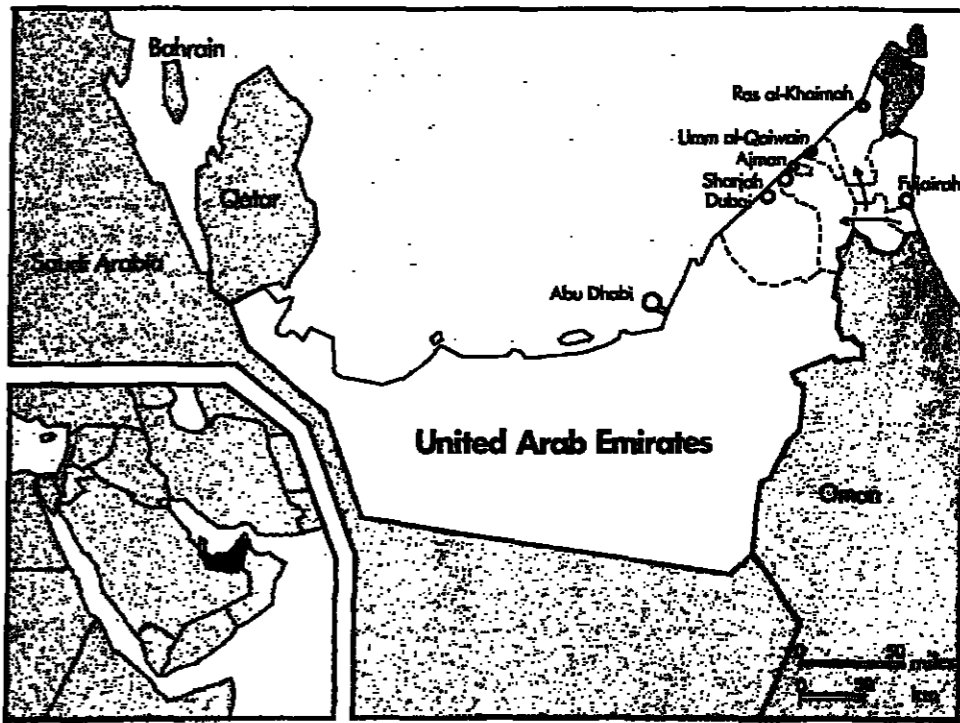
One of the chief uses of the gas is for power generation and the often associated water desalination, and demand is rising annually by about 15 percent. Demand for both power and water doubles in the summer, mainly for air conditioning and for irrigation.

Some problems may arise from the lack of controls on power and water consumption. Water costs about \$3 a metric ton, but it is free in Abu Dhabi, for instance, to domestic users. Underground aquifers have been dangerously depleted and are no longer sufficient even for local needs.

With the fall of oil prices the country can no longer afford such largesse, according to Ahmad al-Tajer, assistant undersecretary at the Ministry of Finance and Industry.

Mr. Tajer also argued, at a symposium on Gulf coordination that took place in March in Sharjah, that oil production should be tailored to specific investment budgets. These, he said, should be much more carefully scrutinized than in the past.

At present, there are five separately organized utility departments that supervise power and water. There has been talk of a national grid, and Abu Dhabi's power and water project at Tawilah, near the Dubai border, would have been the best candidate for initiating such a system. But that would be flared. Four-fifths of the BTU energy



BASIC DATA

THE UNITED ARAB EMIRATES (formerly the Trucial States) is composed of seven emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Qaiwain. Six of the seven formed an independent state on December 2, 1971, when their individual treaty relationships ended with Britain; Ras al-Khaimah joined the other six on February 10, 1972. The approximate area of the U.A.E. is 77,000 square kilometers; its population is 1,040,275, including foreign workers. The UAE currency: 1 Dirham (Dh) = \$3.67.

Abu Dhabi (area: 67,350 square kilometers; population: 449,000) is the largest emirate. The Abu Dhabi government controls oil, gas and petrochemical operations in the emirate through the Abu Dhabi National Oil Company (ADNOC), which has majority shareholdings in the several oil operating and gas treatment companies. Dubai is the second largest emirate (area: 3,900 square kilometers; population: 278,000). The town of Dubai is the main port for the import of goods into the U.A.E. and has a wide re-export trade to other Gulf states. Sharjah (area: 2,600 square kilometers; population: 159,000) has declined from its

position 50 years ago when it was the principal city in the area. It became the third oil producing emirate in 1974, following the discovery of offshore oil by the Crescent Petroleum Company, a consortium of six U.S. companies. Ras al-Khaimah (area: 1,700 square kilometers) has a population of 73,700 of which more than half live in the city. Ras al-Khaimah is an ancient seaport near which archaeological remains have been found. It is now developing as the most agricultural of the emirates, producing vegetables, dates, fruit and tobacco. Oil exploration is currently being conducted both on and offshore. Fujairah (area: 1,150 square kilometers with a population of 32,200) is the most remote of the seven emirates. It lies on the Gulf of Oman coast and has only been connected by a modern road to the rest of the country since 1975. Although exploration work continues, there have been no hydrocarbon discoveries in the emirate. However, there are some chrome and other mineral deposits. The two smallest emirates are Ajman (area 250 square kilometers; population: 36,100) and Umm al-Qaiwain which has an area of 750 square kilometers and a population of 12,300.

UNITED ARAB EMIRATES



A dhow moves up Dubai creek, the Emirates' major port.

A Closer Union Remains Goal

(Continued From Page 95)

development project, may have become unproductive because of slumping world demand.

And even if development budgets can be pruned now, changing business expectations may become a political problem, key aides to local rulers say.

Because talented young people often prefer business to government, decisions fall on a handful of competent officials around the rulers and, particularly, around Sheikh Zayed. Many of these overworked officials deliberately make themselves inaccessible, diplomats and businessmen say.

Perhaps as a result of the change in government focus, Sheikh Zayed is handing over more day-to-day responsibility to his son, Crown Prince Khalifa. But decisions are being made, and diplomats say they reflect an increasingly realistic appreciation of long-term opportunities and risks for the country.

Security, for instance, a high priority since the Iranian revolution and the Iran-Iraq war, is finally getting urgent government attention.

Without public announcement, the Emirates recently bought its first major U.S.-made weapons system, five reinforced batteries of improved Hawk anti-aircraft missiles. Shortly afterward, the government ordered French-made Mirage 2000 interceptors.

U.S. officials explained that it would be politically difficult to try to provide advanced U.S.-made planes. They added that the French-made planes can operate compatibly with other U.S. air defense equipment.

Many planners in the Emirates voice hope that the Gulf Cooperation Council, whose six member-governments already cooperate on internal security, may ultimately provide a regional air defense umbrella that would include Saudi Arabia's AWACS radar planes.

But Emirates leaders have asked Saudi Arabia to proceed slowly with military integration, to allow the country time to develop enough local strength so that it is not overwhelmed in a military alliance.

An Emirates official rejected any highly visible military cooperation with U.S. forces. "It could trigger the kind of Iranian provocations or even raids; in other words, create the threat we want to guard against," he said. "Too often, when the West has said it wants to protect the Gulf, it offers conceal a plan to protect Western interests, not ours."

Albeit reluctantly, the U.A.E. depends ultimately on U.S. carrier-based forces in the Indian Ocean. But the immediate threat, as planners in the Emirates see it, is the risk of air raids by a small number of enemy planes that would be large enough to sabotage the oil industry, perhaps, but not necessarily large enough to trigger a U.S. retaliation against the aggressor.

The effort therefore is directed mainly toward warding off a small air raid or blunting the first wave of a bigger attack until U.S. reinforcements can arrive.

For the foreseeable future, the planners say, this is the maximum conceivable level of defense for the country. "The constraint is not budget; it is manpower," an official said.

The problem of too few people is a growing concern in political and economic areas as well.

The population issue feeds local enthusiasm for the Gulf Cooperation Council, which groups the United Arab Emirates with Saudi Arabia, Kuwait, Bahrain, Qatar and Oman. Just as the regional alliance buttresses security, "the GCC is also expected to help reinforce the country's Arab identity," a government adviser said.

But the Emirates is unlikely to undertake large-scale naturalization of trustful Arab immigrants, mainly because citizens fear losing out to better-educated, competitive newcomers from poorer Arab countries. The exceptions to this are the numerous Yemenis who have been naturalized because Sheikh Zayed traces his tribal origins to Yemen, across the Arabian Peninsula from the Emirates.

For the foreseeable future, only large immigrant communities can enable the Emirates to maintain its present economic status. Indeed, the country will need even more immigrants for further industrialization. Realizing this, Abu Dhabi is retreating from ambitious plans for petrochemical plants in Ruwais.

This trend is reinforced by the slump in oil revenues. Abu Dhabi — whose support for Saudi Arabia's oil politics helps cement the GCC and reflect the similar long-term interests of two countries with immense oil reserves — has helped bear the brunt of OPEC cuts to protect price levels.

Oil and gas revenues are said to have declined sharply last year from

1980 levels, when oil and gas exports were worth \$20 billion. Oil prices were higher then, of course, and U.A.E. production was 40-percent higher than last year's estimated 1.2 million barrels a day. Official figures for 1982 revenues have not been released, but estimates vary between \$11 billion and \$14 billion.

Victims of this enforced austerity will include foreign aid recipients. This reflects another change from the first flush of independence, when Sheikh Zayed gave lavishly, apparently in hopes of promoting Arab unity by setting an example of generosity. The Emirates used to lead the world in per capita giving.

Nowadays, charity begins at home, notably in economic development. The Gulf Cooperation Council may provide a framework for more rational regional economic planning, although the United Arab Emirates, with its oil wealth, was initially loath to abandon its own industrial plans in favor of investments in common projects. That seems bound to change.

A surviving investment — in Abu Dhabi as elsewhere in the Gulf — is gas gathering. "Gas-fueled industrialization is the only formula that makes long-term economic sense for us," an oil company official said.

In Abu Dhabi's case, the search is directed toward gas on the Gulf floor. France is playing a prime role in this project, a fact that helps explain why French people now make up the largest Western expatriate community in Abu Dhabi.

The problem for planners, however, is to redirect Emirates investors away from import businesses that offer quick financial returns and toward longer-term investments that will diversify the country's economy.

It is a tough order. Rich merchants have a habit of staying liquid, looking for new short-term profit opportunities. An incentive to longer-term thinking would be to institute more planning goals that would be compatible with the free enterprise spirit in the Emirates.

But centralized planning has been resisted by Abu Dhabi's partner emirates, which still control their own affairs. As a result, markets for locally manufactured goods are difficult to predict, so investments are not tempting.

The Gulf Cooperation Council is designed to help correct these limitations by reducing tariff barriers in the Gulf, easing flows of funds and labor, and promoting regional development, notably through the Gulf Investment Corporation.

But many Emirates businessmen are wary of the council. "It will enable the big fish to swallow the small," one said. An attempt to abolish tariff barriers has met with resistance, even though the amounts are small. In any case, only about 5 percent of imports and exports in the Gulf are exchanged among council member-countries.

Even inside the Emirates, new rules require local people to act as agents for foreign companies. These rules bar competition from other Gulf nations and, it appears, even restrict agencies in each emirate to their own citizens. It remains to be seen, for example, whether Dubai merchants will continue to be able to act as agents in Abu Dhabi.

As the business class becomes larger, the risk of commercial friction is more liable to poison the overall atmosphere. Even if the country can maintain its education and health and other welfare programs, it is unclear how the businessmen, who still depend on government spending, will adjust.

Some merchants are calling for firmer plans and protectionism to stimulate local manufacturing. Khalif Habtoor, a Dubai-based engineer who heads a small industrialists' association, has called for external tariff barriers to protect the fledgling local industry. "The politicians still don't grasp the economic facts of life," he said.

Across town, a different view prevails in the tower offices of Abdel-Wahab Galidari, a local tycoon whose leisure and office complex, which includes a popular ice-skating rink, has just filled after slow growth for several years.

In his modern offices, a staff of more than 30 traders watch data screens, buying and selling stocks and trading currencies all over the world, but especially in the United States and Asia.

Despite his grasp of these foreign opportunities, Mr. Galidari said, "I'm bullish on the five-year outlook. The next boom — and there always is one in the Gulf — will find us ready to take advantage of it fast."

This brand of optimism — natural enough on the strength of the Emirates' first decade — may be a potent factor in helping the country live with its dilemmas while heading toward a new long-term economic balance.

Oil Revenue Continuing to Decline

(Continued From Page 95)

— but lack of storage capacity has reduced production to about 85,000 barrels a day. The company reckons that this is as far as it can cut production without adversely affecting the installations.

These include a gas liquefaction plant on Das Island, which produces liquefied natural gas for export under a 20-year contract to Japan. Das Island is also running below capacity despite the addition of gas from the Khuff formation.

Onshore, ADCO has been less affected by cuts because of commitments to Abu Dhabi's power and desalination plants. It is producing at a rate of about 500,000 barrels a day. This may soon be raised as the Shah field, which will produce about 30,000 barrels a day, gradually comes on stream. ADCO's small Sahil field, meanwhile, has been temporarily closed down.

The big question on production, however, involves ZADCO, the newest operating company. ADNOC owns 88 percent and JODCO 12 percent of ZADCO's concession on the Upper Zakum stratum. The project was devised in the mid-1970s and would be inconceivable now. It has proved to be particularly costly — \$4.5 billion — to develop

because of the tightness of the formation.

As a result, an unusually large number of wells have been drilled and water injections have been used to maintain pressure. Initial capacity was set at 500,000 barrels a day, and test runs have been under way since the end of last year.

Wellhead platforms at the concession are arranged to the north, south and west of a central production complex and connected by underwater pipelines. The central complex is on Zirku, a barren island between the Emirates and Iran, where desalination and power plants, housing, separators and storage tanks have been built.

By the second half of this year, it was hoped, the development would be producing an average of 100,000 barrels a day from the north, south and central complexes, but this is unlikely now to rise above 40,000 barrels a day; the western complex will not be ready until the end of 1984. It is being sold below the official price because of varying quality.

New concessionaires as well as ADNOC are undertaking more exploration in Abu Dhabi than elsewhere in the Gulf, owing to fairly generous terms offered by the government; and there is not much visible slackening in exploration programs. ADNOC plans to double

Abu Dhabi's production capacity to 2.2 million barrels a day by the mid-1980s, divided between offshore and onshore, but the day when all this capacity will be used appears to be further off than before.

The most promising area for exploration is the Chasiba-Tini structure. ADMA is drilling one well, Nasr 7, to a record 17,425 feet (5,175 meters) into the Khuff formation, where discoveries of gas and condensates have recently been announced. ADCO has extensive concessions in Abu Dhabi territorial waters, where exploration drilling continues.

In the other emirates, the recently discovered Sajaa field in Sharjah is producing about 25,000 barrels a day of condensates. Under a recent agreement between the leaders of Sharjah and Amman, this is to be increased to 33,000 barrels a day and eventually to 55,000 barrels. Only 30,000 barrels a day of this will be used to provide associated gas (at present being flared) for EGPC's scheme for power generation in the northern emirates, for which bids have just been submitted by six international consortia.

In Dubai, Arco, an onshore concessionaire, owned two-thirds by Atlantic Richfield and one-third by British National Oil Co., discovered gas and condensates in the

Margham field in May of last year. Earlier this year, Dubai awarded a new offshore concession to a consortium of Taylor Woodrow, Cluff Oil and Saxon Oil and another to KCA International of Britain.

Oil has been found in Ras al-Khaimah. Gulf Offshore Ras al-Khaimah announced in early February, and production of 20,000 barrels a day is intended, possibly by the beginning of 1984.

In the current oil crisis, the immediate problem is that of liftings. Most of Abu Dhabi's oil goes to Japan, and contracts with the Japanese seem to be up to date. They may eventually be affected by a project for oil tankers returning from Japan to be loaded with fresh water.

Major oil companies with equity holdings in the operating companies are having great difficulty in disposing of their shares of expensive crude in soft market conditions. ADNOC, in renewing agreements with the Japanese earlier this year, was obliged to ease contract restrictions concerning carriage of crude on expensive ADNOC tankers.

Provided the oil price sticks and production remains at its present level, liftings and production will probably remain level, but the balance remains precarious.

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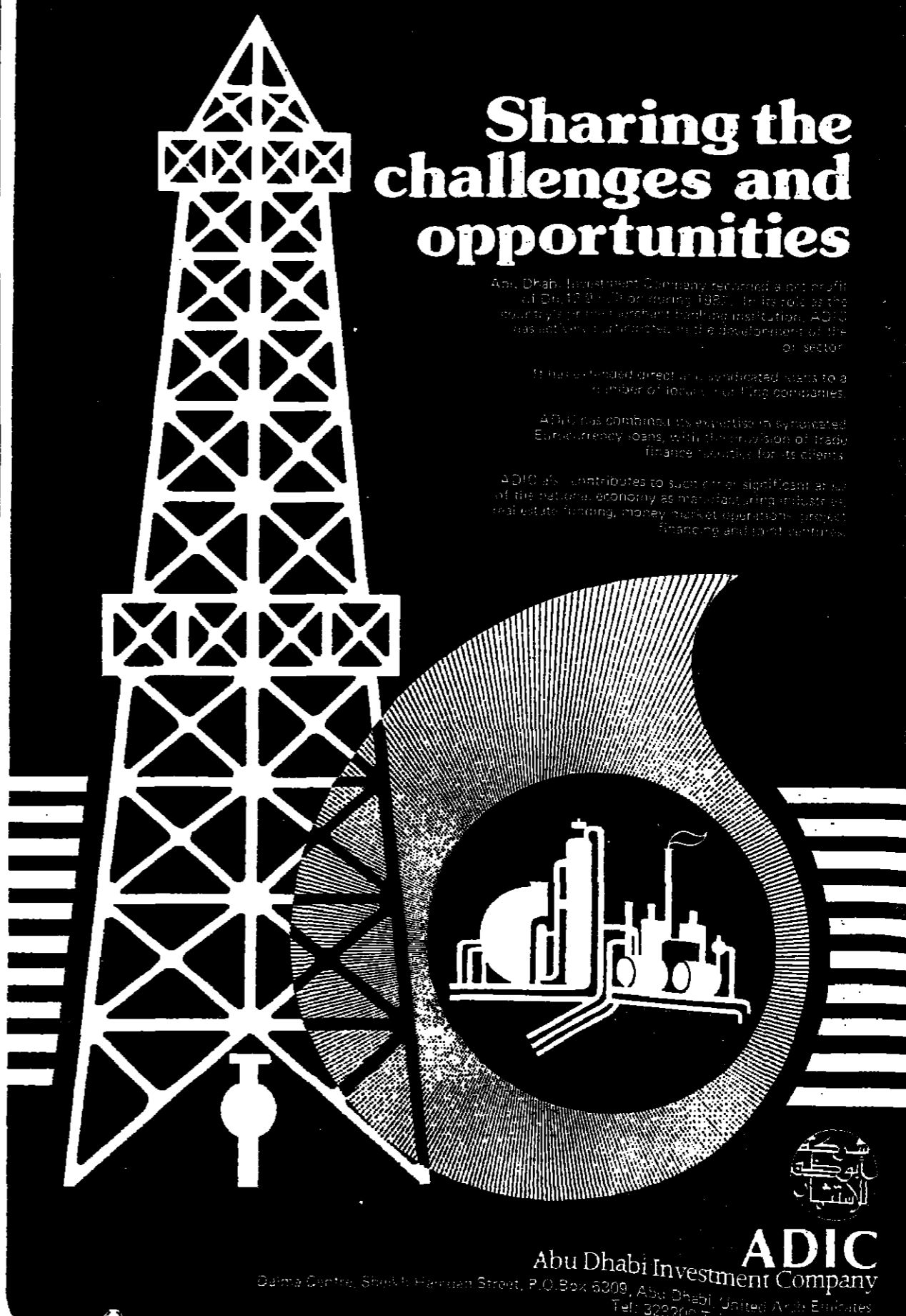
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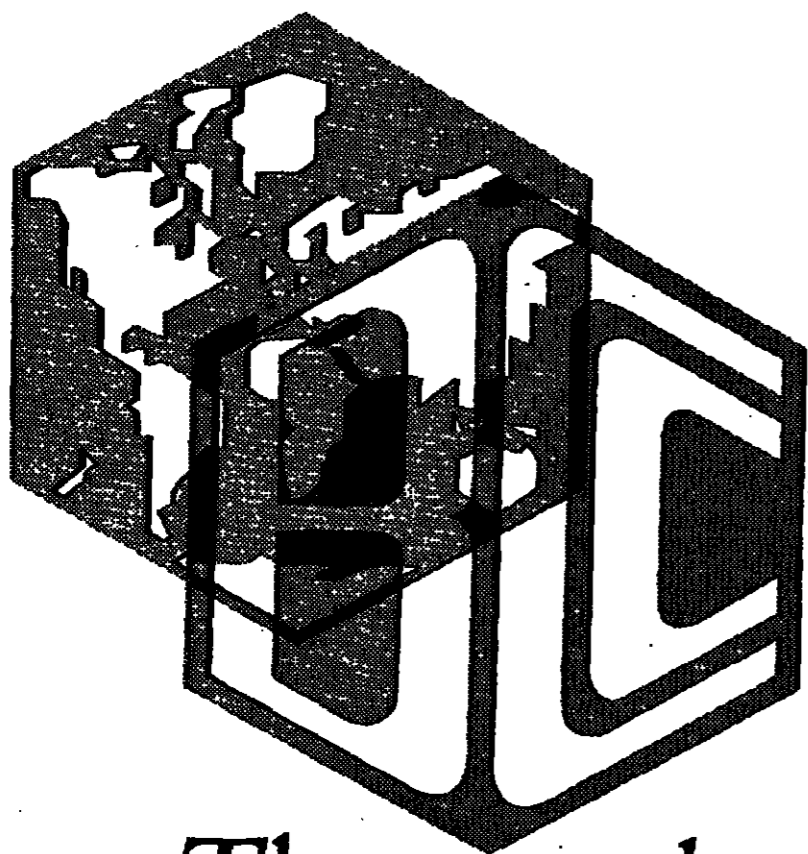
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UNITED ARAB EMIRATES

Shift in Foreign Investment Patterns: A Move To Long-Term Commitments

By John Whelan

THE DROP in crude oil prices has damaged the confidence of many would-be investors in the Gulf, but those with long-term commitments to the region continue to come forward. The U.A.E. is often thought of as a more congenial environment for foreign investors than richer Saudi Arabia or Kuwait.

In Dubai and Sharjah, as well as in the poorer northern emirates, it used to be possible to register a company with a minimum of formality. The regulatory atmosphere is changing everywhere, and joint ventures with a 51-percent local ownership are becoming the rule. Still, the U.A.E., with the possible exception of Abu Dhabi, remains the most open country in the Gulf for the multinational company or foreign entrepreneur.

Where reluctance by foreign capital exists, it usually has to do with the difficulty of establishing a profitable industry given the high costs of labor and items; political or other noncommercial considerations come much lower down the list. In the U.A.E., there is no institution comparable to the Saudi Industrial Development Fund, which offers soft loans and other incentives to Saudi industrialists. When the former U.A.E. Currency Board, now the Central Bank, started along this track in 1976-1977, it rapidly led to disaster.

The laissez-faire tradition of U.A.E. business has made it difficult for the authorities to impose protective tariffs to safeguard infant industries. The U.A.E. is perhaps the world's last free "dumping ground" for industrialized and newly industrializing countries to

unload surplus production of everything from low-cost electrical cable to cheap detergents that would be unsalable elsewhere because of consumer-protection and anti-pollution measures.

The pattern of the 1970s for the U.A.E.'s industrial projects was to attempt the classic joint venture. Government interests were to hold a majority stake, with Western partners brought in to provide marketing and management skills and to shoulder part of the risk. The ruler of Dubai, Sheikh Rashid bin Said al-Maktum, saw this as the best way of getting his huge Jebel Ali industrial zone, which has a port the size of Rotterdam's, on the road.

By the early 1980s, it was clear that this formula had achieved little success. At the Dubai aluminum smelter, the government decided to take sole control. For the Dubai dry dock, talks on a joint venture foundered while the dock lay empty. Finally the British company involved, A&P Appledore International, signed an agreement for an operation and management contract only. Its fee for management is linked to performance for a fixed number of years until the complex makes a profit. After that — and all realize that the day may never come — Appledore is to run the dry dock and share in the profit or loss.

Abu Dhabi's industrial zone at Ruwais also has increasingly been run by the government. There are foreign shareholders in the onshore gas gathering venture Gasco — Shell, Compagnie Française des Pétroles and Parlex — but this is something of a hangover from the past, when the parties were full

participants in the onshore oil concession. CFP-Total is also a third partner in the \$200-million fertilizer plant under construction at Ruwais, near the border with Qatar and Saudi Arabia. For refining and possibly for petrochemicals, ADNOC, the Abu Dhabi oil company, which acts as a development authority, is increasingly thinking of proceeding on its own.

For light industrial companies the joint venture principle has been more successful. Gulf Eternit Industries of Dubai, which makes fiber cement pipes, says that it is the second-largest manufacturing company in the U.A.E., the largest being the government-owned aluminum smelter in Dubai. Gulf Eternit belongs to the Swiss group Eternit, which itself comes under the umbrella of Libanet Holdings, registered in Liechtenstein. Gulf Eternit is incorporated in Dubai and has been operating for nine years.

The pipe manufacturing and cable-laying industries are classic cases where Western companies seeking to secure a corner of the market have decided to insure their market share by making a local association. In doing so they often preserve the market for the part of their export business that really matters — high technology.

In cable manufacturing the joint ventures established so far in the U.A.E. and elsewhere in the Gulf have been chiefly for low voltage cable with sophisticated finishing techniques is still the preserve of European manufacturers. Again, in pipelining, local manufacturers have tended to concentrate on small diameters, leaving bigger pipe to be supplied from the parent company.

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Conservation of the Past: Current Needs Interfere

(Continued From Page 108)

bulldozers to excavate tombs dating from about 2000 B.C.

The climate is unkind to buildings, and over-pumping has caused sea water to filter into coastline soils, increasing their salinity. Buildings disintegrate quickly. This is particularly apparent in Dubai, the only city with more than a scattering of old buildings, mostly in its Bastakia and Shindagha quarters.

Shindagha is disintegrating rapidly. Most of the owners are not overly concerned; many would like to sell the land, which has become valuable. In Bastakia, the old fort has been rescued and turned into a museum; some of Bastakia's wind towers are safe. But Bastakia is an Iranian quarter, and there are those who see little point in preserving a foreign community. They see even less point in Dubai's Sheikh Rashid financing the preservation of the buildings.

In 1978, the U.A.E. cabinet approved a three-stage preservation project set up by a United Nations

mission. A UNESCO expert chose six sites for preservation throughout the Emirates. But nothing substantial has come of it.

There is a delightful ruin of a fortified place in Ras al-Khaimah at al-Fudayyah, once the summer palace of the al-Qasbi family. Beside it is the concrete shell of a rambling, single-story museum, its sole occupant an aging donkey. The Fujairah fort has had some restoration but irrigation pumps have upset the water table and salt is a problem. The charming fort at Umm al-Qiwain remains a police post and is inaccessible to the public.

Foreign experts have often been as much to blame for failure to respect the past as the locals. Some low-cost housing designed by foreign architects has been badly insulated, unnecessarily extravagant, insensitive to local customs and preferences. If it is a traditional way of life that is to be preserved, then modern housing must reflect that tradition. People need encouragement to live with their past as well as their future.

—SARAH SEARIGHT

New Generation Awaits Test of Rule

(Continued From Page 95)

for the giant ship-repair drydock, the dimensions of which go beyond any supertanker ever built.

Sheikh Rashid always displayed a tireless commitment to the business of running Dubai. Getting up, until recently, at 5 A.M. each day, he drove around the city streets like "a farmer checking his fences," as an aide put it. The sheikh, a slight, wiry figure, with a beak-like nose, never hid his enthusiasm for business. His traditional gill-edged black robes often billowed slightly as he rushed ahead of his followers to inspect a new construction site.

His majlis — the traditional practice in the Gulf of receiving visitors each day — remained open to all comers, long after other Gulf rulers had begun to withdraw behind a screen of bureaucracy.

The ritual in Sheikh Rashid's majlis — a long room with windows that enabled the sheikh to keep an eye on the creek — was well-known. Beginning at 6 A.M. each day, visitors were waved, one at a time, to an easy chair next to the sheikh, who puffed on his battered briar pipe between whispered conversations. Each visitor had time to drink a cup of tea or coffee, discuss his business and depart. The man who came for a handshake instead of a mutually profitable deal was never waved into the seat of honor a second time.

As a result, most came for business. The room behind Sheikh Rashid's majlis was jammed with scale models — bridges and military bases, factories and luxury resorts and low-rent housing — left by companies, many of which thought misguidedly that the sheikh would be persuaded by an attractive design instead of the bottom line.

If Sheikh Rashid's politics was business, he was also enough of a businessman to want sensible government; he often protected Dubai's freedom of maneuver at the expense of a stronger central government for the U.A.E. But in 1979 he acceded to the request of Sheikh Zayed, the president of the U.A.E. and the ruler of its richest emirate, Abu Dhabi, to serve as prime minister of the U.A.E. In fact, he temporarily replaced Sheikh Zayed's son in the job. It came at a difficult moment in the federation, and Sheikh Rashid's two-year term of office — ill health finally forced him to withdraw — was a timely reorganization for the government of the Emirates.

Bringing to the premiership his accessibility and dislike of red tape, Sheikh Rashid proved to be an efficient administrator who gave

special attention to the less glamorous responsibilities, such as health and education, diplomats report.

Sheikh Rashid's business-minded philosophies probably will remain stamped on the emirate, but his strong personality appears irreplaceable.

The next ruler, Crown Prince Maktum, has been trained for the job by education and by years of service under his father. But he often appears more comfortable dealing with U.A.E. affairs of state than with down-to-earth decisions about Dubai's business. As the day nears for his accession, Dubai's government appears to be edging toward a form of power-sharing with Prince Maktum's energetic brothers.

Prince Maktum, according to

one Dubai-watcher, "will not be his father, mainly because he has such forceful brothers."

Prince Mohammed, the second son, has modeled himself on Jordan's King Hussein. A Sandhurst-educated pilot, the prince is a man of action. Deputy defense minister of the U.A.E., he concentrates on running the Central Command, the largely autonomous force formerly known as the Dubai defense force. The prince also runs the emirate's oil activities — and Sheikh Rashid's private office.

The third brother, Ahmed, works full-time at a military career. Prince Hamdan, the youngest son, is the business brain of the family. Besides holding key financial and economic posts, he is responsible for Dubai's natural gas

— and also runs Dubai's municipal affairs, a key job. All the princes have extensive business interests, giving the family a share of the profits and a share of the worries from almost everything that happens in Dubai.

Dubai's key activities, official and business, are thus divided among the three most active brothers. Similarly, their relatives from close branches of the family also occupy sensitive vantage points in Dubai's economy and politics.

This new arrangement — power-sharing at the top of an increasingly complicated bureaucracy and commercial empire — seems logical. Unlike Sheikh Rashid's personal rule, however, it has yet to stand the test of time.

—JOSEPH FITCHETT

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By Theodore Shahad

able to muster additional supplies for export.

In an effort to maintain exports, the Soviet Union has been carrying out a program of oil conservation and expansion of refining capacity. Conservation is intended to reduce the Russians' traditionally heavy use of fuel oil in power generation by burning more coal and natural gas. The oil thus saved is to be turned into larger amounts of valuable, refined products. The increased 1982 exports suggest that these structural shifts may have begun to pay off.

Soviet oil exports to the West were a relatively small factor on the world market as long as OPEC satisfied as much as 60 percent of world consumption. But the decline of OPEC's share in the last few years to around 35 percent of the market is reported to be causing that group concern about its needs being made by the Soviet Union and other non-OPEC oil exporters such as Britain, Norway and Mexico.

According to the latest Soviet figures, published in the May issue of Foreign Trade, a monthly magazine of the Ministry of Foreign

Trade in Moscow, gains in the Western European market were particularly pronounced in the Netherlands, where the value of Soviet exports, mostly oil, rose by 48 percent last year from the year before, and in Belgium, where the growth was 38 percent.

Those gains apparently were achieved in part by undercutting the world price.

Total Soviet oil exports are now close to 3.5 million barrels a day, or 28 percent of production.

Natural gas, though less significant than oil, is earning an increasing share of foreign exchange for the Soviet Union. Last year, gas exports rose to 2.1 trillion cubic feet (63 billion cubic meters), or 12 percent of Soviet gas production, with 1.1 trillion going to Western Europe.

According to the Soviet magazine Foreign Trade, contracts for the delivery of an additional 1.1 trillion cubic feet have been signed with West Germany, France, Italy, Austria and Switzerland in connection with the construction of the new pipeline from the Siberian gas fields.

(Continued from Page 13)

de Wries wrote, "would be extremely costly to lenders, and would jeopardize new flows of money."

The BIS said that "it is essential that no doubt should be left that the banks remain, as they always have been, wholly responsible for their lending decisions." The prime consideration, it added, should be "the ability of the borrower to pay," "could alter the market mechanism, i.e. the future behavior of both borrowers and lenders, in a direction that would render the solution of the prospective flow problems even more difficult."

And in the words of Mr. Ginh: "It is the ultimate purpose of any such plan to prevent the occurrence of a financial crash, model planners must see to it that they do not save the debtor countries by killing the creditor banks by imposing unreasonable burdens on them which

The World Bank also expects that its new form of co-financing, approved by its board in January, will soon be attracting commercial bank lenders. As the World Bank boasts of never having had a default on any loan nor ever having had to reschedule a loan, commercial banks are expected to find a World Bank loan should offer bankers greater security.

Despite these, and other, measures by the World Bank to enhance the flow of development finance, the bank itself is the subject of criticism within the financial establishment for what is regarded as its conservative approach to financing development.

Although the bank is chastised for its plotting, it takes 18 months to review a project — a major constraint on its lending is the ceiling set by its board. A lending

In addition, bankers and officials fear that any such move would send a wrong signal to the debtor nations, freezing them of the burden of helping to solve their own difficulties.

In the search for additional funds that will be needed to provide the development finance needed by the LDCs, attention focuses on the World Bank and on private investors.

"The critical issue for the decade ahead of us," Mr. de Vries said in a telephone interview, "is development finance."

A recurrent theme of the recent ministerial meeting at the OECD was that private investors are going to have to provide more finance than banks recently. According to the OECD, direct investment in 1981, estimated at \$16 billion, was only two-thirds greater than in 1970 and about 8 percent below

limit of \$60 billion was set for the years 1982-86 and the bank itself is currently seeking to have this amended. The bank's administration estimates that it will borrow up to \$5 billion a year more from the world's private capital markets than its current \$10 billion and still retain access to its privileged borrowing charges.

In addition, the bank is criticized for its conservative use of its assets. Whereas the lending of commercial banks can run up \$20 for every \$1 of capital, the World Bank's gearing ratio is \$1 for every \$1. This conservatism accounts for investors' high regard for World Bank bonds and the resulting favorable rate of interest the bank pays to sell bonds.

While the bank's administration is unwilling to alter this gearing ratio because it feels a moral obligation to investors who bought its bonds based on that conservative

"Banks will have to continue to play a major role," the OECD secretary said in a study on the subject, but it added that ways will

have to be found "to diversify the amount taken by private capital flows to the developing countries."

The possibility of setting up a multilateral guarantee system for indirect investments by private multinational companies is again under study. Under the plan the World Bank would reinsure the potential risk of such investments. World Bank officials hope to have a program to launch by year-end.

But stimulating private investors to put their money in developing countries is only half the problem. The other half is convincing the LDCs to accept such investments.

the augmentation European governments were urging — the increase, which would raise the IMF's kitty of lendable money as well as the amount each member can request, will effectively be offset by the reduction in the percentage of the quota each member can borrow.

At present, a country can request to borrow up to 450 percent of its quota over a three-year period, or 150 percent annually. But the Reagan administration is pushing to reduce by an as-yet unspecified amount this access once the quotas are raised.

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COMMONWEALTH OF THE BAHAMAS
IN THE SUPREME COURT
English

1982
No. 539

**IN THE MATTER OF
BANCO AMBROSIANO OVERSEAS LIMITED
(IN LIQUIDATION)
AND
IN THE MATTER OF THE COMPANIES ACT
(CHAPTER 184)**

**NOTICE TO CREDITORS OF
INTENTION TO DECLARE DIVIDEND**

Rule 68 of The Companies (Winding-Up) Rules, 1975

To: All creditors who have not yet proved their claims.

NOTICE is hereby given that a first dividend is intended to be declared in the above matter. You are mentioned as a Creditor in the Statement of Affairs, but you have not yet proved your debt.

If you do not prove your debt by the Twenty-first day of July, 1983, you will be excluded from this dividend.

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New Issue / June, 1983

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1. *Journal of the American Medical Association*, 1997; 278: 1039-1044.

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BUSINESS BRIEFS

EC Talks on Internal Trade Stall Over French-West German Dispute

France wants the commission to be able to decide on instituting measures on its own. Britain, West Germany and the Netherlands, fearing abuse of the system, want all cases to come before the 10 ministers. Until that problem is solved, France refuses to discuss communitywide certification for outside products, which the West Germans consider vital for increasing free trade.

Romania, Banks Agree on Debt

The Romanian national bank governor, Vasile Rautu, predicted earlier this month that the agreement would arrange for \$600 million of outstanding 1983 debt to be repaid over the next six and a half years.

Early in 1982 Bucharest had a Western debt burden of nearly \$11 billion and stopped payments for imports. Western diplomats in Bucharest say the country now appears to be over the worst of its financial problems, which had been aggravated by bunched debt repayments and high interest rates in the early 1980s.

France Predicts Growth in 1984

It said that despite continuing problems for the world economy, increased exports would help bring a 1-percent increase in France's gross national product in 1984, after no growth at all this year. The government had been forecasting 2-percent growth for 1983 before it introduced its austerity measures, including increased taxation and an obligatory loan to the government by taxpayers, in March aimed at cutting the huge trade deficit.

EC Extends Steel Quotas

West German Economics Minister Otto Lamsdorff said that the system of compulsory production quotas designed to share a shrunken market would be extended for one month from its scheduled expiry on June 30. Industry ministers will meet again in Brussels on July 25.

Iraq, Nigeria, Libya Lag in Debt Payment

FRANKFURT — Iraq, Nigeria and Libya are finding more and more difficulty in paying for construction work already started in their countries, a major West German building company reported Tuesday.

A spokesman for the West German engineering industry said recently that Iraq had not been able to meet payments for completed work since November.

OPEC countries have had a slowdown in economic activity because of falling oil revenue caused by a world oil glut. Mr. Becker said the decline meant that in the first few months of 1983 Saudi Arabia

as virtually the only source of oil for the country from OPEC countries.

Floating Rate Notes

Closing prices, June 21[illegible]

Non Banks

[illegible]

Antitrust Theory Is Tested in U.S.

WASHINGTON — The Supreme Court announced Monday that it would re-examine a long-held and increasingly disputed trust-fiduciary-law doctrine that

The Justice Department, siding with critics of the doctrine, had urged the court to reconsider it.

As a vehicle for taking a new look at the "intra-enterprise conspiracy doctrine," the justices agreed to hear an appeal by Copperweld Corp. and its wholly owned subsidiary, Regal Tube Co. The two companies were sued by a competitor, Indendence Tube

Co., for conspiring to restrain trade in the market for structural steel tubing. A jury awarded \$9 million in damages to Independence Tube in a judgment that was upheld by a U.S. Court of Appeals.

The legal theory that two commonly controlled corporations can conspire with each other stems from a 1947 Supreme Court decision against conspiracies in restraint of trade, the department said.

Japanese Prices Higher

Results

TOKYO — Japanese wholesale prices rose 0.2 percent in the first 10 days of June, compared with a 0.1 percent decline in the same period in May, the Bank of Japan reported Tuesday.

Over-the-Counter

June 21

[illegible]

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Godwin Electrical.....	59-66
Intervision	37-41

Jessel Trust	8½-10½
Leisure Investments	15-19

M.R.C. Holdings..... 22-25
Norman Bailey

Aviation.....	41-45
Barnolds.....	26-31

Taddale Investments.....	56-61p
Take-Off.....	56-61p

Holdings	11-12p
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The Menaceless Gap

American future, what with hordes

There is, to be sure, a real gender gap in the Western world. It is exemplified by the fact that the word "ship" is feminine in Italian, masculine in French, neuter in German, either feminine or masculine in Spanish, and in English either neuter or feminine. If you think this is not serious, try referring to a navy man's ship as "he."

New York Times Service

When More Ends Up Being Less

A New Book Takes the Burgundian Wine Trade to Task

high-alcohol wines from the warm south of France or Italy. The result is often a big, rich, full-flavored wine that bears little resemblance to a true Burgundy.

The addition of these wines, called "bone-deter wines" by the French writer Pierre-Marie Doutrelant, is just one of the ways in which Burgundian producers doctor their vares. Some pasteurize their wines, others

After noting that even the prominent house of Louis Latour regularly pasteurizes its better red wines, Hanson quotes the late P. Morton Shand, a British wine writer, who said many years ago that, though pasteurizing stabilizes low-strength wines in difficult years, "it, of course, arrests the possibility of any further improvement. As a living organism, the wine has been killed outright; what

Hanson's indictment is a harsh one. But there is a ray or two of hope in his book. The interesting second half is a list of most of the important winemakers and shippers in Burgundy. Among those he singles out with praise are the Marquis d'Angerville in Volnay; Henri Gouges in Nuits-Saint-Georges; Hubert de Montille in the Côte de Beaune; the Domaine de la Pousse d'Or, also in Volnay; the Domaine Dujac in Morey-Saint-Denis; and the house of Joseph Drouhin, among the Beaune shippers.

PEOPLE

Israeli Editor Honored

and interior designer, who was Snowdon's uncle. Watched by their children, Viscount Linley, 21, and Lady Sarah Armstrong-Jones, 19, *Snowdon* killed the princess on the cheek. The Daily Mail reported that it was Snowdon's idea to ask his former wife, who knew Messel, to open the exhibition.

Colonel Tom Parker, who was Elvis Presley's manager, is more

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[illegible]

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